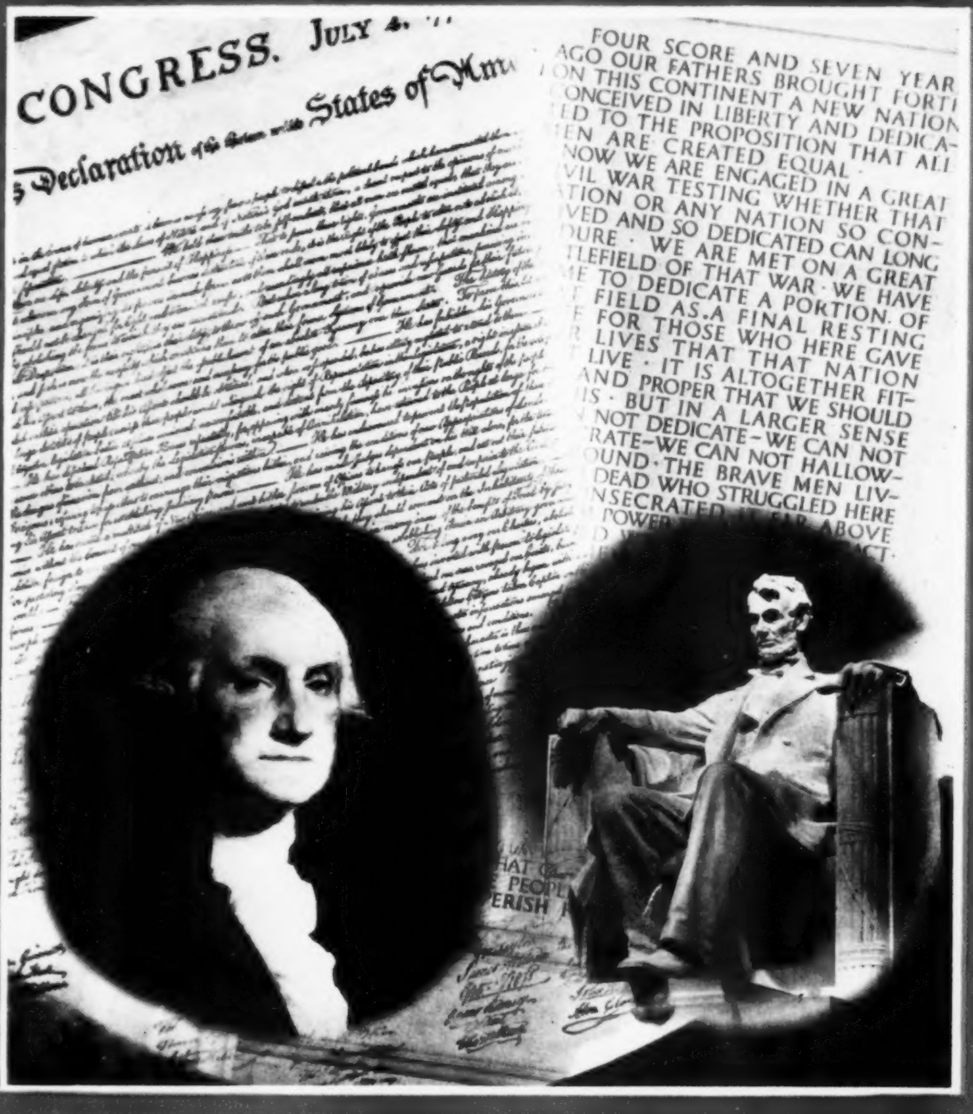
FEBRUARY 1959

The Mortgage Banker



MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA

in this issue – – – – – – – MORTGAGE LENDING IN A NEW ERA ★ WHAT CONSTITUTES A GOOD COMMITMENT ★ MBA AGENDA

THE MBA CALENDAR

February 25-26, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago

February 27, Board of Governors Meeting, Conrad Hilton Hotel, Chicago

March 18-19, Mortgage Servicing Clinic, Penn-Sheraton Hotel, Pittsburgh

March 23-24, Southern Mortgage Conference, Peabody Hotel, Memphis

May 4-5, Eastern Mortgage Conference, Hotel Commodore, New York

May 21-22, Mortgage Servicing Clinic, The Biltmore Hotel, Los Angeles

May 25-26, Western Mortgage Conference, Multnomah Hotel, Portland, Oregon

June 21-27, School of Mortgage Banking, Courses I and II, Northwestern University, Chicago

June 28-July 4, School of Mortgage Banking, Course III, Northwestern University, Chicago

July 26-August 1, School of Mortgage Banking, Course I, Stanford University, Stanford, California

August 2-8, School of Mortgage Banking, Course II, Stanford University, Stanford, California

September 21-24, 46th Annual Convention, Hotel Commodore, New York

CALENDAR OF PRESIDENT NELSON

FEBRUARY

25-26, Midwestern Mortgage Conference, Chicago.

MARCH

5, New Jersey MBA, Newark; *10,* Arizona MBA, Phoenix; *12-14,* California MBA, San Diego; *18-19,* Mortgage Servicing Clinic, Pittsburgh; *23-24,* Southern Mortgage Conference, Memphis.

APRIL

8-11, Texas MBA, Dallas.

MAY

4-5, Eastern Mortgage Conference, New York; *14-16,* Florida MBA, Ft. Lauderdale; *21-22,* Mortgage Servicing Clinic, Los Angeles; *25-26,* Western Mortgage Conference, Portland, Oregon.

JUNE-JULY

21-27, School of Mortgage Banking, NU, Courses I and II, Chicago; *June 28-July 4,* School of Mortgage Banking, NU, Course III, Chicago.

JULY-AUGUST

July 26-August 1, School of Mortgage Banking, Course I, Stanford University, Stanford, California; *2-8,* School of Mortgage Banking, Course II, Stanford University, Stanford, California

SEPTEMBER

21-24, 46th Convention, Hotel Commodore, New York.

The Mortgage Banker

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Volume 19 FEBRUARY, 1959 Number 5

Contents

One of a series by the Company whose success depends on proprietor success.

Frank P. Downey
Vice President,
American Machine &
Foundry Company

Some facts of life in the bowling business

"Not all of the new capital going into bowling today is informed capital. Unless new investors know what they are doing, they are going to get hurt and in hurting themselves they could hurt the industry.

"What the bowling industry needs right now is someone to point out to investors the facts of life in the bowling business, not just the opportunities that still exist, but also the dangers to be avoided. AMF is undertaking this job."

Through its leasing of Automatic Pinspotters, AMF has compiled statistical information which shows that four elements are essential for the successful operation of a bowling center. Reports from nearly 40,000 bowling lanes prove that one of these vital elements is the selection of a suitable location.

The bowling center should be located in an area where a minimum of 1,000 population per lane is within the general shopping area of each existing and proposed establishment.

The bowling center should be at least two miles from any existing or proposed center. Exceptions to this rule can be made only when a detailed analysis has proved that a definite need for additional lanes exists. In such cases the population of the shopping area should be well in excess of 1,000 per lane for all existing and proposed establishments.

The other three important elements essential for the successful operation of a bowling center are: 1) *Competent Management.* Successful business experience is a prerequisite to successful operation. 2) *Proper Financing.* The proprietor should have a minimum of 25% equity in the bowling equipment. 3) *Modern Equipment,* two words synonymous with AMF Automatic Pinspotters and AMF's complete line of bowling equipment. The results of AMF's research on these three topics will be discussed in detail in future advertisements in this series.

In this series of advertisements, AMF has undertaken the task of educating new investors for their own protection and that of the entire bowling industry. There is an imperative need in the bowling industry for a reliable source of information for would-be investors.

AMF and its Franchised Dealers are actively seeking new locations and individuals meeting the requirements described above. Financial institutions contemplating the advancement of mortgage money for new bowling centers are urged to communicate with AMF for reliable information.

Since AMF leases Automatic Pinspotters, the prosperity of each AMF-equipped center is of continuing, vital concern to the Company. This fact is a tremendous added safeguard from which proprietors and lending institutions alike can benefit.

AMF PINSPOTTERS INC.

Subsidiary of AMERICAN MACHINE & FOUNDRY COMPANY
AMF Building • 261 Madison Avenue, New York 16, N. Y.

BOWL WHERE YOU SEE THE
"MAGIC AMF **TRIANGLE"**
TRADEMARK AND SERVICE MARK OF AMF

Be sure to see "Bowling Stars" every week on ABC-TV, sponsored by your "Magic Triangle" proprietor in cooperation with AMF.

THIS QUESTION OF CONFIDENCE

It's our most difficult problem and won't be solved by ignoring it

At year-end, more people in this country were agreed on one thing than rarely happens: namely, that inflation is a prime problem, that the outlook for the immediate years ahead is just about what we think and how we act regarding inflation. Above and beyond all other considerations, there is the question of confidence. The tendency is not to discuss it for fear of upsetting it—which Chairman Martin deplores. His is a memorable statement for these times when thoughtful attention is being turned more and more to the dangers ahead. With a will to do so and without hysteria, these problems will be met and solved, even though, as he says, "the battle against inflation is at a crucial point and a setback in the United States would be a serious setback for the entire free world."

DURING the past year, we have had both recession and recovery and now, once again, fear of inflation. Despite the best efforts of the Federal Reserve System to explain its objectives and point of view to the general public, questions are again arising as to the basic purposes of monetary authorities. These queries are legitimate, but the answers have been given repeatedly. The Federal Reserve System is designed to regulate the supply of money in order to foster high levels of employment and stable prices. Stability is not an end in itself but a means by which this higher standard of living can be attained and without which a lower standard of living becomes inevitable.

From time to time the charge is made that the Federal Reserve is seeking a recession and would like to see a little unemployment. Certainly nothing could be further from the truth. The Federal Reserve's paramount purpose is to contribute, so far as it can, to sustained economic progress without the painful setbacks that mean waste of human and material resources.

There are many types of unemployment and many causes of unemployment. All of the factors that go into unemployment must be carefully considered and sympathetically studied. For residual unemployment, or temporary unemployment, we have unemployment compensation benefits. The major problem, however, is how to get people to work and give them jobs which will be permanent and profitable. How easy this would be if we could only achieve it by just spending more money. Unfortunately experience has demonstrated you cannot spend yourself rich. Lasting prosperity only comes from hard work, producing goods and services which people need and want at prices they are willing and able to pay. At the moment we have unused capacities in industry and larger levels of unemployment than we would like to have. Why has this come about? Because of tight money? Not a bit. It has come about because inflation got ahead of us as evidenced by the fact that at one time in 1957 we were losing more than $1 billion a month in prices in our gross national product without additional goods and services being produced for the consumer. The seeds of inflation were sprouting into the temporary over-capacity which we now have and a decline was inevitable.

Let us not be misled by comments to the effect that the consumer price level is now stable. The process of inflation in this country started over ten years ago during our war-time period and with minor interruptions from time to time has persisted ever since.

The Federal Reserve System has leaned against the wind whenever it has been clear which way the wind was blowing. In 1957-58, when a de-

By WM. McC. MARTIN, JR.

Chairman, Board of Governors of the Federal Reserve System, before the Executives Club, Chicago, in December

cline was under way, we pursued an easy money policy, in order to give whatever assistance an enlarged availability of money could give to alleviating distress and laying the groundwork for recovery. This was largely achieved by the end of April, 1958. Accordingly, Federal Reserve policy was modified, as it always should be, in adaption to the change in economic conditions. At the present time, with increased demands for funds, with improved productivity, we are witnessing a strong economic comeback and we are now beginning to see a gratifying decline in unemployment figures, although the total is still higher than any of us would like it to be.

"We already have too many preferential interest rates established by statute as though it were possible to ignore completely the workings of the market place. Interest rates are the prices charged for credit. They are a wage to the saver as well as a cost to the borrower. In a private enterprise economy they are established by the interplay of market forces. They perform the important function of influencing the volume of credit that flows into specific channels of enterprise. They are essential to pricing the assets on which holders expect to receive income over a succession of years."

Let us not succumb to the belief that these unemployed people will be assisted by flooding our economy with a stream of easy money. The better way to get these people back to work is to concentrate on fundamentals that permit the forces of the market to operate. Rising interest rates, when they reflect a response to improving business conditions, have never been a sign of weakness. When artificial forces prevent their rise it may well lead to knots which would complicate rather than assist our progress. If business conditions continue to improve it is normal to expect interest rates to rise; if business stays where it is interest rates will probably stay about where they are, and if business begins to decline interest rates will decline. But let us not be carried away into thinking that interest rates are such a dominant force in the economy that they possess some magic so that they alone can determine the level of employment, unemployment and use of capacity—at high or low levels. To me it is vital that we understand this crucial point.

A recent trip to several countries of the Far East gave me a welcomed opportunity to see ourselves as others see us. One distressing experience was to find among intelligent and perceptive men in those countries a growing distrust over the future of the American dollar. Whether or not it is justified—and certainly I think it is not—it is important to recognize that this feeling exists.

To the foreigner, much more than to Americans, the dollar is a symbol of this country's strength. A decline in the value of the dollar would suggest

to him a decline in the faith and credit of the United States, signaling in his mind a decline not only in American economic strength but also in moral force.

Naturally I was interested in the basis of distrust. Two matters appeared uppermost. One was a conviction that, not necessarily at the moment but in a fairly short time and more markedly in the extending future, American goods are going to find themselves priced out of the market. Indeed, I was told that some countries to which we have made loans conditioned upon the purchase of American goods would, except for that restriction, already be turning elsewhere for their purchases.

This same sort of talk was directed at Britain for about a year before the British got into trouble and had to devalue the pound sterling. I don't think it is going to happen here. I wouldn't talk about it if I did. But it is something for us to be concerned about.

What We Do Is Followed in Remote Corners of World

The other thing cited to me as a reason for foreign distrust of America's ability or will to preserve the buying power of the dollar was the $12 billion deficit that has developed in the United States budget, plus possibilities that further deficits may follow.

It was amazing to me how closely our budgetary developments were being followed in such remote areas as Thailand and Hong Kong, and how many people there knew our precise budget figures better than most Americans.

Of course a simple fact of human nature has added intensity to their interest. They all know, many through personal experience, of the stern lectures America has given foreign countries about their need to have the moral fiber to put their finances in order. And, as a widely traveled American businessman recently suggested to me, it is only natural that foreign countries should be wondering if we have the capacity to take the medicine we have so freely prescribed for others.

Now I don't think anyone abroad or at home questions the ability of the richest country in the world to "afford" whatever amounts are needed for the national defense of the United States and for social benefits the American public demands as well. Certainly I do not question it myself.

The question that I ran into was something else: since Americans clearly can *afford* these expenditures, why don't they *pay* for them? That is, why don't they pay in taxes or reduce other programs instead of giving I. O. U.'s or simply printing more paper dollars? That is something to think about.

Now this matter of the budget. No reasonable man believes that budgets can always be balanced. Likewise, no sensible person believes that an unbalanced budget is a desirable way of life. This, of course, has moral connotations as well as economic.

We are a rich country. There is no reason to be ashamed of it and we do not need to apologize about it. We must recognize that some people in our society are not as rich or well off as we would like them to be. As a nation, however, we can afford

to expend whatever is required for national defense and foreign aid. Naturally we don't want waste in these projects. Whatever is required we can afford to spend, but we cannot afford to spend it if we are unable to find the means of paying for these expenditures in any other way than by printing money. Regardless of what facile justification or technical obscurantism is used to persuade us that we can have our cake and eat it too, we can have no hesitation in stating flatly, "It just isn't true."

Regardless of What Happens, Some Unpleasant Decisions Are Ahead

We must face up to the reality of either raising taxes or revising our tax structure to produce more revenue or reducing the priorities of some other programs until we can get things in better balance. Whatever the justifications for deficit financing in time of recession—and at best I sometimes think there is a good bit of wishful thinking involved — there can be no question that when business is improving and moving actively toward higher levels, a budget deficit becomes fuel on the fire of inflation. In effect, it pumps air into the business structure as if it were a balloon and eventually leads to more serious recession when the balloon pops than would have occurred if it had not been indulged in. Again let me say, this is not pleasant, but with due respect to these people who talk about modern times and outmoded classical theories what I am saying is based on time-honored and time-tested principles that are as valid and inescapable today as they have been down through the ages.

Likewise, it is time we stopped shilly-shallying around about this matter of interest rates and faced up to realities. We have had far too much talk about so-called "tight" money and "soft" money without adequate understanding of the role of interest rates in our economy. We already have too many preferential interest rates established by statute as though it were possible to ignore completely the workings of the market place. Interest rates are the prices charged for credit. They are a wage to the saver as well as a cost to the borrower. In a private enterprise economy they are established by the interplay of market forces. They perform the important function of influencing the volume of credit that flows into specific channels of enterprise. They are essential to pricing the assets on which holders expect to receive income over a succession of years. It is through flexible rate movements that the incentives and disincentives are provided for balancing out supply and demand factors in our economy.

The most striking illustration of

their usefulness and effectiveness in recent years occurred nearly eight years ago when the decision was made to unpeg our Government securities market. This restored to that important market some of the influence which had been denied it by Government policy for a period of years during which regulation of the money supply gradually became almost ineffective.

Once this decision was taken, the credit mechanism began to function as a governor on the flywheel of our economy and the process of stabilization became a useful part of the adjustments necessary in a healthy economy. We are compelled to recognize, whether we like it or not, that you can alter the nature of demand and change the composition of supply but you can no more ignore the law of supply and demand than you can ignore the law of gravity.

Sometime ago a top industrialist who had complained bitterly about rising interest rates told me he now recognized that some adjustments were probably desirable, but he said, "Don't let interest rates go above 3 per cent." Although there are technical differences between the commodity he is manufacturing and this man-made device of money, I asked him how he would like it if the Government laid down a decree that the product he was manufacturing, regardless of cost and price factors, could not be sold to the public above a fixed price. The only answer I received to this suggestion was "That's different."

Now to the most difficult aspects of all of our problems. This is the subject of confidence. It is the subject we frequently avoid because we are afraid of upsetting confidence by discussing it. All of us know of cases of irresponsible and hysterical individuals who contribute to tearing down confidence. We are more likely to recognize them than we are the equally irresponsible individuals who over-paint, over-sell, over-emphasize the optimistic side of things in the name of inspiring confidence. In any event, confidence is perhaps the fundamental factor in money and currency. Those of us who are charged with responsibility for our monetary affairs recognize this clearly. Money must not only be a medium of exchange and a standard of value, but it must be something in which people have basic confidence.

We've Already Started to Beat Back Inflation

Because of the interrelationships of interest rates and budgets and the present position of the United States in international trade, it is a serious matter when an important segment of world opinion has begun to question the fiscal and monetary integrity exemplified by our American dollar. It is not something we can lightly pass over in hope it will go away. The battle against inflation is at a crucial point, and a setback in the United States would be a serious setback for the entire free world. I would like to be able to say flatly, "There will be no inflation." I cannot do so. For any one man, that would only be idle talk. What we need now is not talk nor long debate nor lengthy analysis, but resolute actions — continuing over time — which will demonstrate to doubters the good sense and character of the American people.

A pressing need for such action confronts us as we go into 1959. The fear of inflation is earnest, and it is having a damaging impact already. Today, when the level of savings in our country has been steadily rising, we could, in my opinion, be selling long-term Government bonds at interest rates substantially lower than current levels if the holders of these savings were convinced that there will be no inflation—convinced that we will conduct our affairs on a basis which will make inflation improbable.

I am well aware of the fact that some of these remarks may be interpreted pessimistically. They are not so intended. We have already made a good start on the road to improving this situation. However, the progress we have already made gives no

ground for complacency. Improvements in business efficiency effected during the sharp but short recession are helping in the current recovery movement that is continuing on a rather broad basis. And it is not news to any of you that the Federal budget is getting determined attention in more than one quarter. Let us press forward on these sound lines and no one can doubt our success.

The recent trip to which I referred impressed on me as never before that the eyes of the world are on us. Responsible officials in many countries are watching us closely to see whether we intend to practice what for many years we have preached to them. The future is not entirely within our control but we do have it within our power to maintain the integrity of the American dollar if we have the will to do it. Until or unless the people, through the Congress, change the Federal Reserve Act I can pledge to all of you that the Federal Reserve System will do everything in its power to safeguard our currency.

More Prefab Growth

The nation's prefabricated home manufacturers rode a boom in low-priced homes to a 7 per cent production gain in 1958—67,000 units vs. 62,700 in 1957, according to the annual survey of prefabrication by House & Home. Despite this gain, the survey of 125 house manufacturers shows that the prefabbers still accounted for only 7.5 per cent of the year's estimated 890,000 new single-family, non-farm houses. The year's output also falls short of the record 90,000 units prefabbers turned out in 1955.

House & Home credits the industry's 1958 upswing to its ability to react fast to a new situation. Prefab production was off in the first quarter of the year. But on April 1 Congress enacted the Emergency Housing Act. It cut down payments on lower priced homes and gave FNMA $1 billion to buy FHA and VA mortgages on homes priced at $13,500 or less at par—a price several points above their price in the private market.

Prefabbers dusted off plans on lower priced models—many of them already approved by FHA and VA—and quickly put them into production. Builder-dealers snapped them up. Thus 62 per cent of all prefabs built in 1958 were sold for $15,000 or less, including land.

For some prefabbers, the shot-in-the-arm from the April Housing Act was not enough to offset the bad first quarter. One out of every three prefabbers produced fewer homes in 1958 than in 1957.

Some market shuffling was geographic as well. Prefabrication gained strength in new areas — the middle South, Southeast and Chicago. Success in Chicago, where prefabs have an estimated 40 per cent of the market under $16,000, was so encouraging the industry is now going after other big cities like Cleveland, Washington, Baltimore and Detroit.

Mortgages Enter the Market Place

The mortgage industry has come of age and here a banker takes a retrospective look at developments of the last two decades to note the profound changes which have occurred—more dramatic, he concludes, than almost in any other area of the economy. What's ahead during the next decade, this keenly-anticipated period when a great bulge in population will create a great demand for housing and mortgage financing? How much money will there be in the savings pool, how much will go into residential mortgages, how well can the various lenders do the job? The job is a big one and will require a lot of financing and a lot of personnel.

IN the past 13 years, since the close of World War II, we have witnessed one of the most exciting periods in American economic history. Nowhere have these changes been more dramatic than in the field of mortgage credit—and particularly in the part that banks have to play in that field. Only in the past few years have mortgages taken their place in the world of finance as something to be considered along with all the other types of investments. The adjustment to this new situation has not been completely made by mortgage investors and originators. Investors, including those new to the market, show an increasing willingness to consider mortgages in full competition with other investments; yet they have difficulty in avoiding the idea that mortgages are something special. The originators, on the other hand, like being part of the great financial world; yet they cannot help feeling uncomfortably exposed at the loss of their formerly sheltered position.

Prior to the end of World War II, mortgage lending, and especially home mortgage lending, lived much in a world of its own. It was little affected by monetary policy. It was not seriously involved in institutional investment policies. Its interest rate moved with considerable independence of outside influences. Today, however, an aspect of the transformation in mortgage activity is the substantial role now played by monetary policy and the fact that this role must be played under circumstances overshadowed by almost continuous deficit financing. The results have been frequent applications and relaxations of controls of the credit supply, often with sharp changes in interest rates, along with a generally upward trend in the interest rates as a whole. As a consequence, mortgage interest rates in the postwar years appear to have been much more directly affected than previously by changes in the broad rate structure.

During the past 15 months, as a result of this sensitivity, we have seen a complete cycle in the mortgage market. In September and October, 1957, we had Triple A bonds yielding 4.90 and 4.95 per cent, measured against a fixed rate of 5¼ per cent for FHA mortgages and 4½ per cent for V.A.'s. Wise money would take the bond yields. This was a rare opportunity in modern financial history. The differential was less than half a point on guaranteed mortgages. There was no servicing problems with the bonds, and there appeared to be excellent opportunity for appreciation. With the decrease in the discount rate early in November, 1957, there was a quick change. The change, of itself, furnished no additional money to the economy; but it indicated very clearly that the fiscal authorities felt that need for stimulation of the economy was greater than a continued deterrent to inflation. As a result, the yield on new Triple A bonds dropped to substantially less than 4 per cent. There was no substantial change in the mortgage rate,

By **LOUIS B. LUNDBORG**

Vice President, Bank of America, NT&SA, San Francisco, and President, ABA Savings and Mortgage Division, before the ABA National Credit Conference, Chicago, in January

as the mortgage market, although becoming more sensitive to the capital market, still moves more slowly than that market. The yield differential, therefore, strongly favored mortgage investment, with the result that in the late spring of 1958, funds became more plentiful. By the fall of 1958, however, sparked by an increase in the discount rate and other activities, the yields of competitive investments started upward, again diverting money away from the mortgage market as rapidly as it was turned toward it in the spring.

Even seasoned mortgage men find this type of fluctuations difficult to cope with. In view of the history of mortgage finance, these problems in adjustment are, however, readily understandable. Today, many of us are so engrossed with mortgage financing that we are apt to forget that it is only within our lifetime—in fact, primarily in the last two decades—that banks have really been able to make residential real estate loans. Prior to 1916, national banks were not authorized to loan money on the security of real estate, with the exception of certain farm land. In that year, they were authorized to make real estate loans to the extent of 50 per cent of the actual value for a term of no longer than one year. With the exception of the extension of the maturity to five years in 1927, no material change was made until 1934 when national banks were permitted to make mortgage loans under FHA. A major change occurred in the following year when national banks were authorized to make residential mortgage loans in the amount of 60 per cent of the appraised value of the property for a term of 10 years. Nevertheless, it was not until 10 years later, in 1944, when national banks became participants in the VA home loan program, that real estate mortgage figures began to show a real increase. Finally, of course, the most recent change took place in 1955 when national banks were authorized to make mortgages in the amount of two-thirds of the appraised value of the property for a term of 20 years.

Although savings banks and building and loan associations were active in the field of mortgage financing during the early periods of bank participation, the non-farm mortgage debt was not the big affair it is today. As late as 1929, the total amounted to slightly under 36 per cent of all private long term debt. Of this, debt on 1- to 4-family houses amounted to a little more than half (57 per cent). By 1956, however, non-farm mortgage debt was nearly 60 per cent of private long term debt, and home mortgages made up over 75 per cent of the total mortgage debt.

This growth in relative importance was also accompanied by a growth in institutional participation. With individuals in the economy rapidly increasing their savings, and with individuals and corporate and governmental treasurers looking for sources of long term financing, a well organized market has developed to bring the two groups together. Of the major institutions fulfilling this necessary intermediary role in the economy, commercial banks, mutual savings banks, life insurance firms, and savings and loan associations have become the most important mortgage lenders. Some indication of their importance is given by the data on residential mortgage debt held by such intermediaries at the present time. At the end of 1956, the non-farm mortgages held by these institutions amounted to 80 per cent of the total, of which mortgages on 1- to 4-family properties made up 78 per cent. Noticeable shifts have occurred, however, in the relative importance of these intermediaries in mortgage financing over the past half century. During that period, when mortgage debt financing rose by 50-fold, commercial banks increased their share from 5 to 15 per cent, life insurance firms increased theirs from 6 to 20 per cent, savings and loan associations increased theirs from 15 to 35 per cent, but mutual savings banks suffered a decline, from about 20 to 13 per cent. But even more noticeable has been the steep drop in the importance of individuals in mortgage financing—a drop from 50 per cent of the total at the turn of the century to 13 per cent today. Obviously, institutions now dominate the field.

Special attention must, of course, be given to the changes in the characteristics of the home mortgage market resulting from mortgage insurance and guaranties. Unquestionably, the advent of the FHA mortgage in the mid-1930's and the VA guaranteed mortgage in the mid-1940's contributed greatly both to the current importance of home mortgage debt in the financial structure and to its institutionalization. By the end of 1957, 40 per cent of the outstanding debt on 1- to 4-family properties was in this category. Of additional interest is the proportion of the various institutions' portfolios that are invested in such mortgages. Mutual savings banks lead the group with three-fifths of their loans in these categories. Life insurance firms have two-fifths, commercial banks one-third, and savings and loan associations, one-fifth.

The government label, moreover, gave the mortgage a negotiability on a nationwide basis that theretofore it had never had, and hence gave it a place among investment alternatives that was entirely new. Because of these qualities, the rates on insured and guaranteed mortgages became even more directly influenced by gen-

> *"Mortgages are of age now; and only when lenders and borrowers are free to compete in the mortgage market, as are participants in other sectors of the capital market, will the volatility of mortgage flows and swings in housing activity be reduced. Congress must be educated to the fact that it cannot legislate interest rates in one important sector of an otherwise free capital market without important upsetting consequences to consumers, builders, and lenders alike, and to the overall national economy. Price may sometimes appear to be a hard master, but in the long run there are fewer problems and difficulties with it than with the substitutes government may advise."*

eral financial conditions than had been the case with conventionally made mortgages.

The end result of the transformation has been that in the space of a generation, home mortgage lending has added enormously to its weight in the economy, has been changed from an operation dominated by local lenders to one of a highly institutionalized character, and at the same time, has been forced into close competition with other types of investments and therefore subject, as are those other types of investments, to the influences of monetary policy.

In view of what has happened to the mortgage market during the past quarter of a century, there is no chance that it will return to its prewar complexion, and actually none of us who can remember that far back would want it to do so. To escape from this new competition, or from any of the impact of monetary policy, is no more feasible than any other turning back of the clock.

Plainly, the issue is not one of retreat or escape, but rather one of adaptation to conditions as they exist. Mortgages have entered the market, and it is up to us to use this fact as a means for meeting the housing demand of the country.

What will be that demand during the next decade? We find the recession-scarred year of 1958 boasting some $17.5-billion in residential construction—a mark bettered only by 1955 and 1956, even in constant dollar terms. We find, too, the nearly universal feeling that more is yet to come, as the postwar baby boom begins to be translated, by 1965, into a tremendous marriage boom, and concurrently into a heavy demand for housing and all the accompanying appliances.

It is customary to define the credit pool available for mortgage financing in terms of the funds at the disposal of the major institutional mortgage lenders. This seems to be the best working definition, even though it ignores certain private and government lenders whose importance in the total currently is small, and even though it takes no note of the possibility that funds held elsewhere can be diverted to mortgages.

As an approximation, however, let the "pool" of credit available for residential financing be defined to include individual savings in the form of life insurance reserves and savings at savings and loan associations, commercial banks, mutual savings banks, and credit unions. On this basis, the total has increased by 80 per cent over the past decade.

In contrast to the 80 per cent rise in the available supply of funds, mortgage debt on non-farm residential properties more than trebled in the years 1948-1957. In consequence, the ratio of mortgage debt to the mortgage credit pool climbed from roughly a third to over a half. For some of the years in the period 1948-1957, the rise in mortgage debt exceeded the additions to the pool of available funds, indicating that some funds had to be shifted from other uses in order to supply the mortgage demand. Clearly, this phenomenon of a faster rate of growth of mortgage debt than of available funds cannot continue indefinitely into the future.

Several factors in addition to the large number of units being financed have combined to increase the demand for mortgage debt. For one thing, there has been a vast increase in demand for mortgage funds resulting from the historical decline in down-payment requirements; prior to World War I, equity funds constituted about one-half of the funds used for new residential construction, but by recent years this proportion had fallen to a fourth. In addition, the lengthening of mortgage repayment periods has added to the volume of outstandings. Whereas loans of 10 years or less were the norm during the 1920's, conventional mortgages as long as 20 years are now common, while the average term of FHA mortgages made on new houses during 1956 was over 25 years. The average loan amount also has risen sharply in the postwar period in consequence of much higher selling prices. The net result of all of these factors is that a given volume of funds committed to mortgages will now finance fewer home purchases over a given period of time. Consequently, a legitimate question arises concerning the possibility that shortages of mortgage funds might cause a setback to the housing industry should such a situation continue into the second decade of the postwar housing boom. Let us look at the prospects for increasing the pool of credit available for mortgages in the coming period.

An analysis of the housing market naturally begins with an analysis of the number of households. The importance of the number of persons in the household-formation age-group is too obvious to deserve comment. In many respects, however, income is just as crucial; high income stimulates migration, it encourages marriage, and it promotes undoubling by making it possible for many "marginal" individuals and families to maintain separate households. The number of households may be affected by a host of other factors, including the relative prices of housing and other goods, changes in taste, credit availability, and the public's asset position.

In attempting to apply all these considerations to the housing market of the '60's, we are forced to break the decade into two parts because of the differential impact of household formations in the two halves of the decade. It is quite likely that the first half of the decade will generate an average annual demand of 1.2-million non-farm starts, and the late 1960's an average demand of 1.4-million starts. Assuming a continuation of the upgrading phenomenon seen throughout the postwar era, we can expect new housing demand to average roughly $21-billion in the first half of the decade and roughly $26-billion in the second half—as compared with $17.5-billion in 1958.

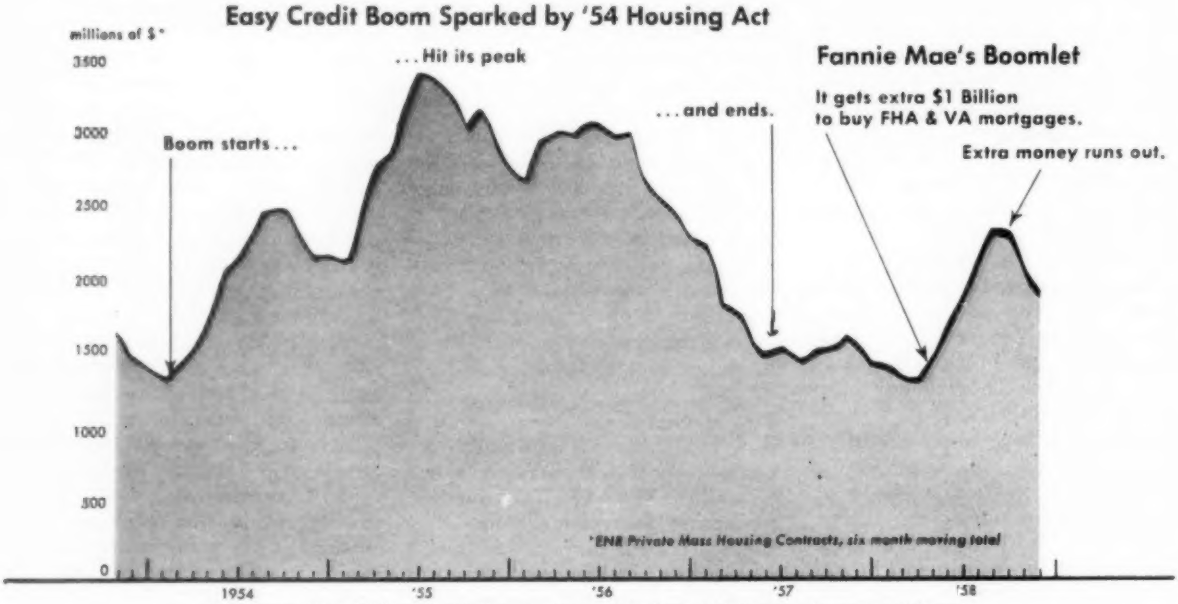
Assuming that housing costs can be kept within bounds, and that demand of the magnitude indicated will develop, we must ask whether there will be a pool of credit available for new residential construction of comparable magnitude. Actually, two questions must be answered: (1) How much will be available in the total pool of savings? and (2) How much will be channeled into new residential mortgages?

First, consider the basic source of mortgage funds, that is, personal savings. Despite cyclical instability in total personal savings, we have seen long term stability in the average savings-income ratio, notwithstanding many changes in the nation's economic structure, financial organization, and socio-economic attitudes. This fact suggests that the actual volume of savings will grow apace with the economy in the coming decade, and the fact of smaller fluctuations in

(Continued on page 32, column 1)

MASS HOUSING:

Congressional Aid Helps for Awhile . . .
. . . But Interest Lids Stem Its Growth



*By James H. Webber, Staff Economist, and Robert J. Stinson, Associate Editor**

THE private housing market is in trouble.

It's apparently headed for even darker days in the next six months. Continuation of present federal policies, shaped by Congress in many respects, can complicate the problem by stemming growth of the housing market.

The poor six months ahead can be indicated by Engineering News Record mass housing contract awards. They slumped instead of showing the traditional fall upturn. The slide started in September and is continuing. In the last 14 weeks, ENR private mass housing contracts averaged only $55.2 million a week. Here's how this rate compares with the rate in corresponding periods of past years:

- Down 13% from 1957.
- Down 31% from 1956.
- Down 52% from 1955, a peak rate.

Here's a short-term comparison:

The current rate of awards is only slightly better than the low volume during the first three months of this year. That's when the homebuilding industry cried loudly for help.

However, for the 49 weeks to date this year, total housing contracts are 21 per cent ahead of last year's low volume. That was the lowest volume since the high downpayment period of Regulation "X" in 1952 during the Korean war.

Despite the gain over 1957, volume this year is well below the years 1954 through 1956. As of last week, the current year's housing contract total is $3,514 million—a 40 per cent drop from the peak in 1955.

Fannie Mae's boomlet—ENR's figures spotlight the effects of federal government and Congressional action on the housing market.

ENR private mass housing awards represented 36 per cent of the total spending on all new dwelling unit construction from July 1955 to June 1958, as estimated by the Departments of Commerce and Labor.

(This comparison assumes a six-month average lead time from date of contract award to the date a project is nearly completed.)

During the same three-year period, new housing starts backed by FHA and VA accounted for 37 per cent of total private starts, as estimated by the Bureau of Labor Statistics.

During the spring and summer, before the current slump in mass housing, contractors and developers enjoyed a flurry of new business.

The flurry resulted from the shot in the arm administered by Congress—$1 billion was granted to Fannie Mae.

This money was to be used to buy at par all mortgages on new housing backed by FHA and VA. There was one stipulation: Mortgages purchased be $13,500 or less.

Results of this action are clearly shown in the chart on this page.

The mass housing trend picked up in April, when Fannie Mae started committing the $1 billion.

Mass builders moved rapidly to take advantage of what looked like

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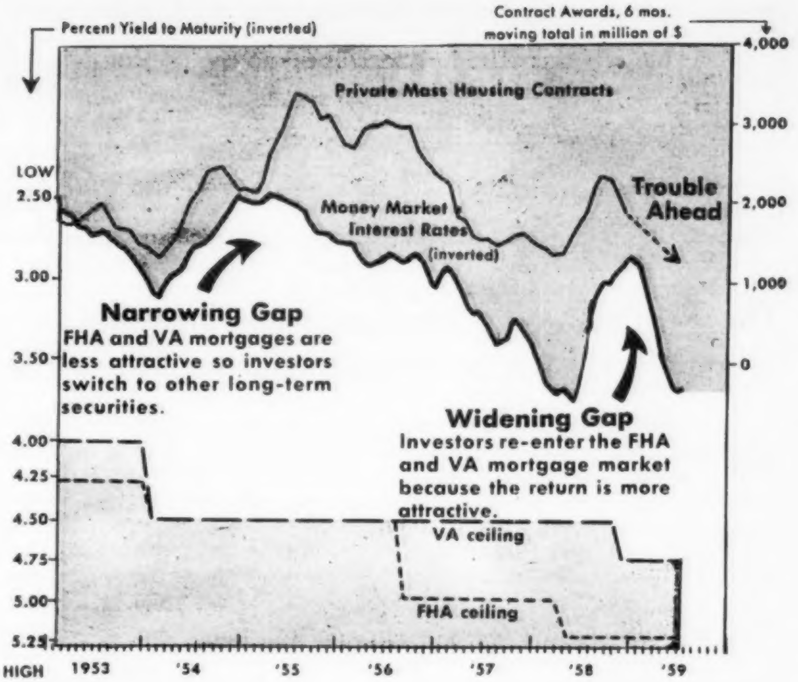
a rising market.



But the boom turned out to be a "boomlet." The at-par buying ended in August. So the contract award trend dove as quickly as it had risen.

From a weekly award rate of $96 million in the April-August "boomlet," awards plunged to the $55.2 million average of the last 14 weeks. This is a drop of 42 per cent in the awards rate—most of it in September.

Interest ceilings hurt—The shot-in-arm approach is only one reason for the slump.

The other major reason is the interest ceiling on VA and FHA mortgages. This operates over the long-term period and stunts the growth of the housing market.

Mass housing is sensitive to changes in interest rates as the chart here illustrates. The ceiling imposed on government-backed mortgage limits their ability to compete with other long-term securities for the investor's dollar.

This must affect mass housing. Because big builders need a mass market. This market depends largely on the number of buyers who can get easy mortgage credit.

The mass market needs the help of small down payments and a repayment period stretched over 25 or 30 years. These are the advantages offered by FHA and VA mortgages.

Under FHA, a buyer needs only $650 as a down payment on a $15,000 house. A veteran needs only $300 for a down payment on the same house. But these advantages collide with another government regulation—the lid on the interest rate on these mortgages.

Maximum interest rate on FHA mortgages is 5.25 per cent. On VA mortgages it's 4.75 per cent. While interest rates on other long-term debts rise, the FHA-VA rates must remain the same.

And even though the VA-FHA interest rate is fixed, lenders do obtain a higher yield by discounting the mortgage. For example, if an FHA mortgage is discounted three points, the borrower receives only $97 for each $100 borrowed. If he needs $10,000 to buy the house, he actually receives only $9,700. But he pays interest on the full $10,000 and repays $10,000.

A builder must plan ahead. He obtains advance commitments (agreements) from a lender to loan money to his customers. If the money market is tight, the discounts may be large enough to discourage the builder's planning. Or, the lenders may be unwilling to commit themselves to FHA-VA mortgages if they feel interest rates generally will head higher and bring a better return.

The chart on this page shows how government action affects the market. A 1953 Federal Reserve Board policy switch, sharp drops in interest rates and the Housing Act of 1954 combined to spark the 1954-55 housing boom.

Late in 1954 interest rates stopped declining because the demand for credit outran supply. Also, the industrial expansion boom of 1955-57 brought a huge demand for investors' funds.

When interest rates started to climb, the gap between the general market rate and the FHA-VA ceilings narrowed. Investors then placed larger amounts of money in more attractive industrial bonds, and less in home mortgages. Mass housing contracts dropped as mortgage funds became harder to obtain.

The chart also shows that as general interest rates dropped, the gap between them and the VA-FHA interest ceiling widened. The housing contract line climbs sharply as the gap widens.

The 1954-55 housing boom faded until awards hit bottom in the first quarter of 1958. This low was less than one-half the record volume during the first half of 1955.

Then the 1958 Fannie Mae boomlet started. It got an added push from declines of earlier interest rates from their 1957 highs.

The interest rate trend indicates mass housing awards in the first six months of next year may only be about $1,550 million or a weekly average rate of $60 million. This is about the same as the first half of 1957 and almost 20 per cent below 1958's first half total reported by ENR.

There is a bright spot in the 1959 housing outlook, however. The climb in interest rates has halted. Rates show signs of turning down.

This indicates the current downtrend in housing will go no further than next June. Then it will be reversed.

And should Congress free FHA-VA rates next year, 1959 would show a gain over this year and at the same time allow the housing market to attain the growth rate required to meet the demand for new housing.

Servicing Tips from the Top

A monthly department about Mortgage Loan Servicing conducted by W. W. Dwire, Citizens Mortgage Corp., Detroit, and member, Mortgage Servicing Committee

The Problem of Acceptance of Substitute Insurance Policies During Mid Term

By the Editor

OUR industry's requirements and procedures regarding the acceptance of substitute policies of insurance during mid-term are quite varied. They range all the way from refusal to accept a new policy on other than the anniversary date of the existing policy to the free acceptance of a substitute policy at any time. Between these two extremes are requirements which allow the right to substitute, upon payment of a fee, right to substitute under certain conditions only and other combinations of requirements.

About the only thing these various requirements have in common is that they were all brought about by a smothering wave of new policies which rolled in as the result of (1) mass sales of Homeowners and other type package policies, and, (2) substitute policies from new agents of record who did an outstanding job of door to door selling.

The problem in Detroit became so important that a meeting was arranged with the Detroit Association of Insurance Agents to arrive at a solution acceptable to both sides involved. The mortgage company felt entitled to a reasonable fee for handling the paper work, which, in some few instances, involved as many as three or four policy changes on a property within a period of thirty to sixty days. The Association of Insurance Agents wanted to avoid any fee but, at the same time, agreed that we had a real problem. The result was a compromise agreement which has since been modified in certain respects but in its original form was as follows:

". . . have agreed to the acceptance of substitute policies of insurance without charge effective on other than the anniversary date of the existing policy providing these conditions and requirements are met:

1. The new insurance must be written for a period of three years with the three year premium fully paid in advance, and must be issued giving credit for the existing insurance. The new policy must be retained in the agent's files until at least 15 days prior to the normal expiration date of the existing insurance.
2. In the case of "package" policies, the agent must obtain an authorization signed by the mortgagors authorizing the acceptance of the new form of insurance and agreeing to pay directly to the agent the difference between *the full renewal premium* for the new policy and the amount held on deposit in escrow for a regular F & EC insurance renewal. This authorization, together with a paid receipt covering the difference between the *total initial three year premium* on the new policy and the credit given for the existing insurance, must be retained in the agent's file and forwarded with the new policy 15 days prior to the normal expiration date of the existing insurance coverage.

Substitute policies of acceptable insurance which do not meet the conditions set forth above must be accompanied by a $10 service charge to be paid by the mortgagor. New policies written and presented for consideration at the normal expiration date of the existing insurance will not require a charge."

Your editor and the Association would appreciate receiving information from other areas where acceptable solutions have been found.

President's Page

EVERY GROUP IN MBA IS VITALLY IMPORTANT TO MBA AND THE INDUSTRY

SUCH has been the pace of progress during the past few decades that today most business men can, with conviction, say that their trade association really means something in their business, something important, something they would sorely miss if it were taken away. It wasn't always that way—something new in this generation has been added. We're aware of it, but too often we don't know exactly what it is that makes a mutual, cooperative association with others, having the same interests, so important to us. Maybe it's a case of being too close to the forest to see the trees, too close to an objective to appreciate the ways and means of getting there.

Walter C. Nelson

Whatever it is, no better example can be found than in our own trade group. For MBA has been, and is, many things to many people, it serves many varied and diverse interests, it participates in many divergent activities. It consists of many classes of institutions operating in many ways. It is, in a sense, a melting pot of people and institutions and aspirations all with a common goal.

And that's not a bad way to define MBA—an association of people, institutions, resources and experiences, all with a common purpose, namely, to make this business of lending on, and investment in, real property a better operation. No other trade group in the country—and there are more than 3000 major groups—is quite like it. Instead of a group of people and companies doing the same thing in exactly the same way, MBA is a group of many varied types of members all with a mutual objective.

Not every MBA member appreciates that fact, consequently not every member fully appreciates the complete value of his membership, the importance of his trade association or how much in tangible value it has for him. And he won't unless he looks at the individual parts that make up the whole as I have done.

For instance, there are the life companies with whose investment future such a predominately large segment of our members are so closely involved. During MBA's nearly half century, the life companies have been such an important part of its advancement and, indeed, its very life, that it is almost impossible to over-state the relationship. The life companies and the correspondents who serve them have worked together from the beginning, each making a contribution and each receiving a measure of benefits which has proved mutually advantageous. And there is that other major investor group, the mutual savings banks, whom mortgage originators have likewise proved they can serve equally well, each making its contribution to a satisfactory and profitable business arrangement.

Then there are the commercial banks, still another vitally important group in MBA. How many members, other than commercial bank representatives, have stopped to consider how important they are to MBA and to the industry? In interim and construction financing, in providing warehousing facilities and in many other ways, the banks make a contribution to this business of mortgage lending and investing second to none—to say nothing of the mortgage business they do.

And on down the list, right through the MBA roster, to the title companies with the invaluable services they supply, a service which has so largely contributed to making mortgage lending the modern credit operation it is; to the trust companies and the special contributions which they make; to the mortgage brokers who have helped make the industry a nation-wide operation.

As I said, we sometimes get too close to the forest to see the trees and as far as MBA goes, we sometimes don't realize what we have accomplished within our own trade group. Throughout this wide fabric of mortgage lending there exists many patterns. The insurance companies have certain lending formulas which they must follow, the banks have others which are mandatory with them. Lenders' tastes and preferences in loans differ as widely as the colors in a rainbow. Everywhere there is variation, special requirements, individual tastes, specific desires. Yet they all come together in one mutual objective: the common desire of many people and many institutions to do a good job of providing financing for homes, buildings, plants, progress and expansion.

No other trade group anywhere encompasses so many diverse groups—an uninitiated person might say that it is a weakness. But, as the years have conclusively proved, it has been a bulwark of strength because each group has made a full and telling contribution to the mutual goal. To me, these thoughts have meaning, particularly in the immediate period ahead when cooperation in so many areas of activity is so important.

Walter C. Nelson

PRESIDENT

The COMMITMENT

What constitutes a good commitment, what should it include, where are the dangers in a commitment agreement that's less than good? A look at a phase of mortgage lending that often isn't looked at too carefully.

By T. T. HYDE, III
Vice President, First Mortgage Corporation, Richmond

WEBSTER defines a commitment, in part, as "a promise or pledge to do something" which, in our business, is generally understood to be an agreement on the part of the lender to provide mortgage financing subject to certain terms and conditions. No one will question the fact that this is a vital phase of mortgage loan operation and yet, in many instances, it is a procedure which is handled haphazardly with almost complete disregard to certain inherent dangers.

Several years ago we found that we were using a series of mimeograph letters for commitments on individual FHA and VA loans, as well as individually-typed form of letter for conventional loans. This had several disadvantages, one the ever-present possibility of undetected typographical error, another the absence of clear copies for necessary distribution. In addition, this type of commitment did not make a favorable impression on the customer.

After considerable study, we decided that a pre-numbered package form of commitments with carbons would be used, and immediately it was discovered that the pre-numbering fitted splendidly into the IBM system. This "package" is now used for all individual commitments, except, perhaps for large industrial loans, or for projects closing in the name of a corporation, in which case the package form is used as a dummy in the office for numbering and distribution purposes.

In the package *(see cut of form)*:

1. The original is sent to the applicant upon approval of the loan.
2. The first carbon is the file copy as, of course, a sharp carbon must be read very carefully at loan closings.
3. The third is sent to the branch office originating the loan at the time the commitment is issued.
4. The fourth is sent to the closing attorney to be used in connection with preparing and submitting the title papers.
5. The fifth is marked "duplicate copy" and is usually sent to the agent handling the transaction.
6. The sixth is the acceptance copy and is printed for the applicant to sign and return; it is used in connection with conventional loans as it is believed that specific acceptance on FHA and VA loans is not generally required.
7. The seventh is the audit copy

Mortgage Loan Commitment

FIRST MORTGAGE CORPORATION

RICHMOND 14, VIRGINIA

Proposed Loan No. SAMPLE VOID

Date____________________

TO: Property:

Subject to continuance of the conditions set forth in your application and supporting papers, which are made part of this commitment, we hereby agree to make you a loan to be secured by first lien deed of trust on the above property, on the following terms:

Principal amount $ Interest rate (see *note below) %

Term of Loan Years, repayable in monthly installments

________Loan to be guaranteed to the extent of________% of the original amount under section 501(b) of the Servicemen's Readjustment Act of 1944, as amended (VA)

________Loan to be insured under section of the National Housing Act (FHA)

________Conventional Loan

All mortgage loan commitments are subject to the following conditions:

Title to the property, including title evidence, is to be satisfactory to us, with examining attorney to be designated by us.
Loan papers, including note and deed of trust on forms supplied by this office, are to be executed by applicant, and spouse, if married.
Fire insurance with extended coverage is to be furnished at closing in a company and in an amount satisfactory to us.
FHA and VA loans carry the standard prepayment clause prescribed by the respective government agencies; if a prepayment clause is to be included in a conventional loan, it will be described below under specific conditions.
*NOTE: In the event of an authorized increase in the interest rate on FHA or VA loans prior to closing, the loan is to be closed at the increased interest rate.

This commitment is subject to any specific conditions in the spaces below which have been marked:

_____Construction is to be started on or before
_____Property is to be completed in accordance with plans and specifications heretofore approved, no changes being made without our approval.
_____Receipt by us of FHA final compliance inspection report showing all on-site and off-site improvements complete.
_____Receipt by us of VA final compliance inspection report showing all on-site and off-site improvements complete.
_____Payment of an initial service charge by the borrower of 1% of the principal amount of the loan at the time loan is closed.
_____The property is to be occupied by you as owner at closing.
_____Warranty, on VA Form, executed by and accepted by you, being submitted to us at the time this loan is closed.
_____Warranty, on form supplied by FHA, executed by builder or seller and accepted by purchaser-borrower, being submitted at time loan is closed.
_____FHA form 2562, indicating acceptance of appraisal value, being signed by you.

On a loan to be guaranteed by Veterans Administration and on a loan to be insured by Federal Housing Administration, all requirements of the respective agencies are incorporated into this commitment, including execution of any and all forms needed to meet these requirements.
In addition to the foregoing the following specific conditions are to be met before the loan is closed (none unless listed):

The loan is to be closed upon tender by us on or before

If you have any questions concerning this commitment, or need any information in connection with this loan, please communicate with our office at

FIRST MORTGAGE CORPORATION

BY: SAMPLE • V O I D

Authorized Signature

ORIGINAL

and is kept in a numerical sequence file, available for auditing purposes.

8. The eighth is the offering copy, to be used by the mortgage sales department to requisition the offering papers if the loan has not previously been sold to a noteholder account.

The principal disadvantage of the pre-numbered and packaged form is that one can't change the language from day to day as can be done on mimeographed letters. Where there is a permanent change in FHA and VA requirements, this has to be typed in each commitment until the next printing period.

Usually, a one to two year supply of these forms is ordered and the cost has approximated ten cents a package. This cost could possibly be reduced if a larger quantity were ordered, but changes in lending practices and in FHA and VA requirements from time to time make it more economical to order the smallest supply so that the re-printed forms will take care of as many new requirements as possible.

With each order of pre-numbered forms, a small additional supply of unnumbered forms is ordered, for use where the original is spoiled. This supply is kept under key and when a non-numbered form is used, the spoiled original of the number is filed with the audit copy.

We are convinced that the use of pre-numbered and pre-packaged forms has effected a substantial overall saving and, of course, we have no objection to the form being copied by others. In fact, we look with favor on standardization of any phase of the mortgage loan business and this, in our opinion, is a step in that direction.

How Title Searches Are Speeded By Longhand Message Transmission

By **WALTER E. COX**

Manager, Memphis Abstract Co.

THREE devices that transmit handwritten messages by wire constitute the first truly fast and accurate method we have found to order photocopies of instruments recorded at our County Courthouse. This system, which links our offices with the County Recorder's Office and the Court Department, assists us in giving the type of fast service we like to deliver.

In the past, one of the most annoying problems we faced in compiling title searches or abstracts was that of the "missed instrument." When a compiler (the person who completes the search or abstract) discovered that a chain clerk had neglected to list an instrument—say an indefinite (a miscellaneous instrument from the general index) for example a will, a bankruptcy, etc.—a three day delay would usually result before the compiler got a photocopy of it.

This system depended on messenger service both to take the requests over to our employees at the Courthouse and to bring back the photocopies they made. But it was so slow and unsatisfactory that we made a change. We began phoning the information for "missed instruments"—giving the number of the book and page, etc. This method was so fast that in an unbelievably short time we had a stack of erroneous information a foot high. One number sounds too much like another over the telephone.

Then we saw a TelAutograph system of handwritten message transmission in a local bank, which looked as though it might solve our problems. So we gave it a try, and it has been excellent.

This equipment automatically gives us a written record of all messages sent and received, which insures the accuracy we must have. Yet, these messages are transmitted instantaneously, which gives us the speed we have long sought.

Now we not only use the equipment to order "missed instruments," we also order the original photocopies for the title search. And we even transmit all the information for brief instruments, like marginal releases of trust deeds, directly over this longhand network.

This equipment consists of three transceivers—devices which both send and receive handwritten messages in ink. The one in our office is equipped with a key box which permits us to communicate with either of the other two at will.

When we get a request to make a title search or abstract, we enter the legal description of the property, the date, etc., on an order form which is given a number and placed in an order book.

Working from the order form, a chain clerk checks our office tract book in which the property is listed. On a chain work sheet, the clerk lists the instruments in brief—filing date, grantor, grantee, type of instrument and book and page number of the record books at the Courthouse.

After these have been listed, a clerk checks our general index; then checks a card index which lists instruments already recorded on microfilm in our own office. A major portion of those we need are in our office. For those that are not, the clerk sends a request to the courthouse via our transceiver.

Using the machine's pen-like stylus, the clerk writes the order number, date, and brief information about each instrument — just the book and page number and type of instrument —"T.D." "W.D." "Asgmt" etc. Exactly what is written on the transceiver is instantly reproduced on the transceiver receiving the message.

In most cases, of course, these transmissions go to the transceiver in the recorder's office. But if information concerning a court proceeding is needed, the clerk first pushes the key box button to connect his transceiver to the one in the Court Department. Then the message he writes is duplicated on the machine there.

Although we have three clerks at each of the two courthouse offices where the transceivers are located, none of them need be at the machines when a message comes in. It is received entirely automatically and the paper advances so that if another message is sent before the first is torn off the machine, there is no danger of the second message being written on top of the first.

1. Using the transceiver's pen-like stylus, a girl writes order number, date, type of instrument and its book and page number.

4. He turns to correct page number and photocopies the instrument. When all photocopies for the same order number have been completed, they are clipped together with TelAutograph message on top and sent by messenger to firm's office.

5. Compiler receives packet of photocopies and transceiver work sheet. It lists order number, so is easy to match this material with proper chain sheet and complete abstract or search.

2. Exactly what she writes is instantly duplicated on receiving transceiver, in this case in the recorder's office. At end of message, the signal light at left rear of transceiver glows, letting clerk know that a message has come in. Here, clerk removes it from the machine.

3. Using the message as a work sheet, clerk below gets the proper trust deed book from book rack in courthouse record room.

In addition, the two machines are equipped with signal lights which notify the clerks that a message has come in.

Our clerks in the courthouse use the messages they receive as work sheets. They get the proper record books, make photocopies of the instruments requested and check each item on the transceiver work sheet as they finish with it. When all instruments requested for the same chain order number have been copied, the photocopies and the transceiver copy are clipped together and sent to our offices by messenger.

The messenger delivers the work to the compiling department where a compiler, using the order number listed on the transceiver work sheet as a guide, combines the photocopies with the chain sheet of the same number, so that the abstract or search can be completed.

What if an instrument is missed? Well, if the compiler discovers this before the packet arrives, he or she immediately requests the photocopy via transceiver, and 99 per cent of the time it is delivered along with those originally requested. Even on the few occasions when it is not, it is still sent over much more quickly than ever before possible.

In the case of a short form which we want in a hurry—like a marginal release of a trust deed—we transmit our request to the recorder's office via transceiver. The information is transmitted back to us on the same equipment, and typed in on the pre-printed marginal form. Here again, we have achieved the ultimate in both speed and accuracy, thanks to the written record at both ends.

On an average day, we transmit anywhere from 80 to 110 requests to the recorder's office, and a smaller number—of which no record is kept —to the court department.

Because people who want a title search or an abstract always seem to be in a tremendous hurry, fast accurate service is vital. This new equipment plays an important part in giving it to them.

February 25-26 Will Bring Mortgage Men to Chicago for MBA Midwestern Conference

The multiple and varied features of our present-day housing picture, including the always important question of funds for home building, will be among the topics receiving top priority at this Association's forthcoming Midwestern Mortgage Conference, February 25-26, in Chicago at the Conrad Hilton Hotel.

Presiding over the three Conference sessions will be H. Hoyt Thompson, president, Ward Farnsworth & Co., who is a vice chairman of the MBA clinic committee and in charge of the Chicago meeting. W. C. Rainford, chairman of the clinic committee, and president, Mercantile Mortgage Company, Granite City, Illinois, will welcome the registrants to the Conference.

Among the speakers at the first morning session will be MBA President Walter C. Nelson, who will review the "Prospective Developments in the Mortgage Market"; and Philip McCallum, general counsel of the Small Business Administration in Washington, D. C., who will speak on that agency's new "Investment Act" and its possibilities for the mortgage banker. A key feature, too, of this session will be the presentation of a "general economic forecast."

The afternoon session to follow will be devoted entirely to an airing of problems and procedures basic to the correspondent - investor relationship. This will be undertaken by a panel of experts representative of both the investor and the correspondent interests.

Lead-off topic of the Conference's third business session—Thursday morning, Feb. 26—will be a comprehensive report on "Considerations Which Affect Congressional Action on Housing Legislation." A panel discussion will follow. Moderated by MBA general counsel, Samuel E. Neel, the panel—composed of FHA special assistants from Washington, D. C.—will treat the topic: "New Opportunities in FHA for Mortgage Bankers." Par-

(Continued on page 33, column 3)


Philip McCallum


Mrs. Mary Cleverley


Harold W. Prehn


C. F. Daniels

Finalize Plans for Mortgage Servicing Clinic in Pittsburgh, March 18-19

First of the two MBA-sponsored 1959 Mortgage Servicing Clinics will be held in Pittsburgh, March 18 and 19, at the Penn-Sheraton Hotel. General theme of this two-day meeting


W. W. Dwire


John K. Benoit

will be: "Servicing Spells Success." Merle O. Dugan, assistant cashier of the Mellon National Bank and Trust Company in Pittsburgh will serve as the local chairman.

The program for this Clinic has been developed by the Association's Mortgage Servicing Committee, under the chairmanship of John K. Benoit, manager, investment records section, Equitable Life Insurance Company of Iowa, Des Moines. Benoit and the committee vice chairman, William W. Dwire, vice president, Citizens Mortgage Corporation, Detroit, met in Chicago recently with James G. Wasson and Robert J. Murphy of the MBA Accounting and Servicing Department, to finalize all phases of the scheduled program.

Highlighting the first morning's program will be a panel discussion devoted to the topic: "Standardize and Coordinate Servicing." A. A. Johnson, vice president, Colonial Mortgage Service Company, Upper Darby, Pennsylvania, and a past-chairman of the MBA Mortgage Servicing Committee, will act as moderator.

Being introduced for the first time is a new discussion session on "Investor Problems and Solutions." Also, there will be an actual demonstration—with equipment—of a complete tabulating accounting system operation for smaller servicers. This will include a comparison of the recently introduced "Series 50" equipment with the more expensive, higher speed equipment now being used in the offices of larger servicers.

"FHA and VA Delinquency Foreclosure and Claim Procedures" will be explored thoroughly by FHA Deputy Director, legal division, Edwin G. Callahan; and VA Director of Loan Guaranty Service, Philip N. Brownstein, both of Washington, D. C. In all, a total of nine separate and individual subjects will be presented in a series of round-table seminars, to be presented during the two-day meeting. Among the subjects to be covered will be: "Office Management and Personnel Selection," "Insurance," "Escrow Analysis," "Collections and Delinquencies," "Servicing During Processing and Closing," and "Servicing Tips That Save."

On To Pittsburgh

The Servicing Committee of the Philadelphia MBA has appointed a sub-committee to foster an "On to Pittsburgh" movement for the Mortgage Servicing Clinic to be held March 18-19 in that city. The Philadelphia contingent plans to go en masse, wear an insignia symbolic of their city and, otherwise, make their group presence recognizable.

The committee consists of Joseph P. Davisson, The Beneficial Saving Fund Society, chairman; Joseph C. Hudson, W. A. Clarke Mortgage Company; Fred M. Jewell, Colonial Mortgage Service Company; and James Murphy, Eastern Mortgage Service Company.

The MBA Committees at Work

Reports of the activities of the Association's committees.

By **ROBERT J. BERAN**

How MBA Membership Activity Is Handled

WHEN this Association first came into being back in May of 1914, a mere 45 firms were represented at its organizational meeting. By September, 1945, membership had edged close to the 1,000 mark and within the year it totaled 1,083. By 1954, it had climbed past 2,000 and in 1957 it reached its all-time peak of 2,060. Today, it stands at 1,966—a figure reflecting in part the numerous mergers which have occurred between member firms; and, more importantly, the fact that—in seeking out new members—today's emphasis is on quality, whereas during the Association's growth years the principal aim was one of quantity.

Membership growth is but one—a mighty important one, indeed—of the many interesting facets of MBA's development which depend in a great measure upon the conscientious efforts of those particular Association committees whose responsibilities cover such specifically delegated areas. Logically enough, it is the Membership Committee and the Membership Admissions Committee which share between them the responsibility for the membership program of the Association. As such, these two committees, though perhaps not as much publicized as some, rank among the most important and the most actively working of them all.

While it is the MBA Board of Governors who establish membership qualification requirements, and ultimately casts the final ballot which determines each applying member's acceptance or non-acceptance, it is the function of the Membership Committee to find new members who qualify under existing rules; and it is the Membership Admissions Committee, in turn, who review all applications and passes upon each applicant's qualifications.

Because it is their prime responsibility—each individually—to assist the MBA Headquarters Office in securing the names of qualified prospects in their respective areas, and to interest these prospects in MBA membership, members of the Membership Committee are selected with an eye to securing as broad a nation-wide representation as possible.

In introducing potential members to the benefits of MBA, Committee members may proceed in various ways. One principal approach is to contact in their own areas the local, city and state MBA groups, review their membership lists and secure those eligible for membership in the national MBA. Another good approach is to check with the banks, insurance companies and other investor firms where present MBA members have servicing contacts. If these firms do not hold membership in MBA, they make choice potential prospects and, as such, it is the duty of the Committee member in the area to endeavor to interest said firm in the possibility of membership.

This Committee, also, will periodically review the membership application blank and will recommend such changes as may be required. It will offer advice and assistance, too, to the Headquarters Office in distributing to members and prospective members proper literature publicizing the work of the Association.

Chairman of the 62-man 1958-59 MBA Membership Committee is Lowell H. Duggan of Alameda, California.

When once a firm makes application for membership in MBA, it is then that the responsibilities of the Membership Admissions Committee come into full play for each of the seven-man Committee must review all materials pertaining to an applicant's qualifications for membership. These materials—including the application, the investor verification, the credit report, comments of members in the applicant's area, and other additional pertinent information—are provided through the MBA Headquarters Office.

First, however, all applications are screened by the Headquarters Office and those of companies which *obviously* do not qualify for membership are not submitted to the Membership Admissions Committee, but are returned to the applicant. All others are sent to the Committee and the decisions are left to its discretion.

Each Committee member — individually—passes upon the applicant's acceptability under the standards for membership as contained in the By-Laws of the Association. The six Committee members submit their decisions to the Committee chairman; he returns all materials and the Committee vote to the Headquarters Office. If four of the seven vote negatively, an applicant is considered rejected; and he will appear as such on the final ballot by which all applicants are submitted to the individual vote of the entire MBA Board of Governors. In this balloting, a vote of seven "no's" is sufficient to reject an applicant.

Chairman of the MBA Membership Admissions Committee for 1958-59 is F. M. Petree of Oklahoma City, Oklahoma.

Through the combined efforts of these two hard working committees, MBA acquired 60 new members during its 1957-58 fiscal year; and by Convention time last November the total had increased to almost 90. Since the start of the 1958-59 Association year, some 56 new members have joined the ranks of MBA. Texas, with 165 members, continues to lead all other states in membership. New York ranks second with 135 members. California and Florida rank third and fourth with 122 and 96 members, respectively. Illinois follows a close fifth with 94 members.

The requirements for membership

(Continued on next page)

With MBA in Education

Many with Long Experience in Lending Find MBA School a Valuable Education

WITH a curriculum especially designed to be of benefit to *all* persons in the mortgage industry, the MBA School of Mortgage Banking each year attracts among its student enrollment an increasingly broad representation in terms of actual years of experience in the mortgage business.

Among students attending the School sessions, those with up to 10 years experience constitute the major portion—and, as the figures indicate, there are many whose experience, in number of years, goes even beyond the ten-year mark. In fact, of the 182 students who entered Course I in 1958, there was the surprisingly substantial total of 45 who had been engaged in the mortgage lending business for anywhere from 10 to 15 years before entering the School.

In recapitulating more fully the experience background of these 182 Course I enrollees, it must be noted that 29 of the group had at least one year's experience in the mortgage lending field; and 28 of the students came to the School with two years' experience. Some 31 of the students had 3 years' experience to their credit; and 14 of them had at least 4 years' experience.

The experience background of the remainder of the group of 182 ranged between five years and 25 years, with 12 of these having at least 16—or more— years' experience.

Such a widely varying distribution provides rather striking evidence that while the *young* man is so very definitely a part of the MBA School curriculum, those individuals of greater experience in the business are likewise finding much of value in the curriculum.

Also of interest, in any such recapitulation, is the *overall* business experience—other than in mortgage lending—chalked up by the School enrollees. And the figures indicate that many among them apparently had a good deal of prior general business background before entering the mortgage industry.

Of those 182 new students who began Course I last year, the greater percentage—48 by actual number—had had from 10 to 15 years' experience in some area of business before entering the School; 25 of them had from 21 to 24 years' experience; and 22 had 25 years or more. Only 13 among them had less than two years of business experience; and the remainder of the enrollees brought with them to the School anywhere from three to nine years of outside business background.

Because the School's faculty is so very well qualified to present assigned topics in a manner best suited to benefit a wide span of experience and training background, learning at the School is indeed reciprocal—and those more experienced can contribute to the professional growth of the younger men, while the younger men, in turn, can keep the more experienced abreast of what the industry's younger minds are thinking.

HOW MBA MEMBERSHIP ACTIVITY IS HANDLED

(Continued from page 27)

in MBA do vary, depending on the nature of the applying organization. A typical mortgage banking firm must be servicing loans for an institutional investor, such as a life insurance company; it must have engaged in this activity for a period of at least five years prior to the date of the application (a requirement applying to *all* applicants—both for regular and limited membership); and it must be an organization in which the stock interest is held by one or more of the top officers, who should be devoting their main effort to the origination, selling and servicing of mortgage loans. The Membership Admissions Committee is very loathe to accept into the Association, firms owned or controlled by builders, building material companies, etc.

Life insurance companies and banks, both commercial and savings, are also eligible for MBA membership; as are fire and casualty companies, abstract and title companies, trust companies, colleges, public or private investment funds, pension funds and similar institutions—providing they are investing a substantial portion of their assets in first liens or real estate, and otherwise satisfy Association requirements.

If an applicant is a broker, he is

(Continued on page 33, column 3)

New Head of St. Louis MBA: W. C. Rainford

Newly elected president of the St. Louis MBA is W. C. Rainford, president of the Mercantile Mortgage Company in that city. In photo above, he (center) receives a congratulatory handshake from retiring president, William J. Byrne of Dolan Company, Realtors. Other officers elected for 1959 are vice president, Chester O. Disse (second from left); treasurer, Carl Gusoskey (left); and secretary, George W. McDonald (far right).

Bernard J. Wilkins, vice president, First National Bank of Clayton; George C. Doering, president, George C. Doering Company, Inc.; and Fred Frey, vice president, L. E. Mahan Co., were elected to the board of directors.

J. L. Aylsworth, Jr. Heads Phila. MBA

Elected president of the Philadelphia MBA for 1959, J. L. Aylsworth, Jr., president, Mortgage Associates, Inc., will have as his fellow officers for the year: vice president, John Chatley, Jr., vice president, Fidelity-Philadelphia Trust Company; treasurer, William K. Brandt, vice president, Central-Penn National Bank of Philadelphia; secretary, David Bloom, manager, mortgage department, Jackson-Cross Company.

Board members elected, term expiring December, 1961, include: J. Clyde Hart, vice president, The Bryn Mawr Trust Company; J. Harris Latimer, Redding and Latimer; Edward L. McConnell, president, Central Mortgage Co.; David Solms, president, Eastern Mortgage Service Company.

Edwin S. Rockett, president, Conshohocken Federal Savings and Loan Association, will fill the unexpired term, ending December, 1959, of Henry R. Foley, Abraham Lincoln Federal Savings and Loan Association, who has resigned.

Palm Beach County MBA Holds Seminar

In December, the MBA of Palm Beach County in West Palm Beach, Florida, held its first annual "Seminar for All Real Estate Brokers in the County."

Three panel discussions were presented: one on FHA-VA loans, another on conventional financing and a third on title insurance and closing problems. Serving on this latter panel, in addition to the local mortgage bankers, were title company representatives and attorneys.

This Seminar was aimed at bringing the local area real estate brokers, their associates and salesmen up to date on current mortgage problems, with particular emphasis on the availability of funds for various types of mortgages.

TMBA Directors Meet

On Saturday, January 24, the officers, directors, committee chairmen and vice chairmen of the Texas MBA met in Dallas for a special TMBA Directors Meeting at the Statler-Hilton Hotel. A special evening dinner, at the Dallas Country Club, honored MBA President Walter C. Nelson and Mrs. Nelson; Frank J. McCabe, Jr., MBA executive vice president; and Lewis O. Kerwood, MBA director of education and research.

Gives Detroit Facts

First meeting of the new year for the Detroit MBA was held in mid-January and featured John R. Stewart, statistician and director of research for the Greater Detroit Board of Commerce, who spoke on "Statistics of the City of Detroit." A question and answer period followed.

Des Moines Mortgage Men Elect for 1959

Pictured above are the 1959 officers of the Des Moines MBA. Paul Huelsbeck (center) of the Bankers Trust Company, in Des Moines, is the new president. Charles Drees, Iowa Securities Company, (at left) is secretary-treasurer; and James B. Smith (right), loan agent for Northwestern Mutual Life Insurance Company, is vice president of the local group.

Baltimore MBA Elects I. H. Hammerman, II

I. H. Hammerman, II, president, S. L. Hammerman Organization, Inc., Baltimore, has been elected president of the Baltimore MBA for 1959. Serving with him will be Frederick R. Buck, vice president, Maryland Title Guarantee Company, as vice president; and William H. Bayless, chief mortgage officer, Chas. H. Steffey Inc., as secretary.

I. H. Hammerman

Mr. Hammerman, an honor graduate of the Wharton School of Finance and Commerce, University of Pennsylvania, initiated his firm's mortgage banking activities not quite nine years ago. Last year he served as chairman of the MBA Servicing Clinic held in Baltimore. He is a member of the board of directors of the Real Estate Board of Greater Baltimore and has just completed serving two years as a director of the Home Builders Association of Maryland.

Vanderwoude Elected Head of Dallas MBA

J. D. Vanderwoude, vice president of the Joyner Mortgage Company, Inc., has been elected president cf the Dallas MBA.

Mr. Vanderwoude, who succeeds O. J. Finney, assistant secretary of Southwestern Life Insurance Company, is a graduate of Southern Methodist University and is a licensed attorney.

J. D. Vanderwoude

Named to serve with Mr. Vanderwoude were Kenneth Dealey, mortgage loan manager of Maxson-Mahoney-Turner, named DMBA vice president; and W. Errett Cummings, vice president, Teeling Mortgage Company, elected secretary-treasurer of the organization.

Denver Mortgage Men Elect Dempsey President

New president of the Denver MBA (photo at right) is Edward J. Dempsey, president of Johnson-Anderson Mortgage Company. He is seated at right in photo. Seated at left is Antone R. Bowler, president, The Jordan Mortgage Company, who is the new vice president of the Denver group. Robert Hackstaff (standing), vice president, Frederick R. Ross Investment Company, will serve as secretary-treasurer in 1959.

San Diego Nominates

At the annual nominating meeting of the San Diego MBA, Harry C. Haelsig, planning director, and Dick Weiser, assistant planning director, for the city, spoke on "Planning for the Future of San Diego." Their discussion included coverage of that city's recently completed survey on land usage, population and zoning.

Nominated as officers and directors for the ensuing year were: for president, Jack W. Barnett, vice president, McMillan Mortgage Co.; for vice president, Keith Lister, president, Lister Investment Company; for secretary, Dick Randolph; for treasurer, Howard Riffey; for director, Malin Burnham.

James T. Barnes Is President of Detroit MBA

James T. Barnes, president of James T. Barnes & Company, Detroit, was elected president of the Detroit MBA at their annual meeting. In photo, he is seated, center.

Other officers named include, seated, from left, Elmer R. Field, First Federal Savings and Loan Association of Detroit, secretary-treasurer; Mr. Barnes and Stuart B. Micklethwaite, of The Maccabees, vice president.

Standing, same order, are governors Emmett E. Sullivan, Donald H. Mitzel, Ronald W. Bainbridge, S. C. Turner and Clarence M. MacKinnon. Mitzel, Turner and MacKinnon were just elected. Homer Wells and Harold N. Finney were not present.

Wm. W. Baltar, III Is Louisiana MBA President

More than 200 members attended the 11th Annual Meeting of the Louisiana MBA, held on Saturday, January 10, at the Roosevelt Hotel in New Orleans.

Sharing the speaker's spotlight on the day-long program were MBA President Walter C. Nelson, president, Eberhardt Company, Minneapolis; William C. Weaver, Jr., vice president and manager, mortgage loan department, National Life & Accident Insurance Company, Nashville; and MBA general counsel Samuel E. Neel, from Washington, D.C. "The Mortgage Outlook for 1959" was the subject of President Nelson's speech. Mr. Weaver discussed "The Investor-Correspondent Relationship," and Mr. Neel presented his views on the "Washington Picture Today."

The morning business session included the election of officers for 1959. Coming into possession of the president's gavel for the year was Wm. W. Baltar, III, Baltar Mortgage Co., Inc., New Orleans. Shown with Mr. Baltar (seated, center) in photo above are Walter C. Nelson, left, and other newly elected Louisiana MBA officers: senior vice president, David G. Laux, Standard Mortgage Corp., New Orleans (seated, right); and (standing) secretary, Lloyd Adams, Lawyers Title Insurance Corp., New Orleans; treasurer, A. K. Northrop, Jr., Dane & Northrop, Inc., New Orleans; vice president, Travis A. White, Travis A. White Co., Shreveport.

Following the morning session, a luncheon at the Roosevelt Hotel was given for all registrants by the Kansas City Title Insurance Company. Preceding the luncheon, a cocktail party was given by the Title Guarantee Company in the Blue Room of the hotel. That evening, the Lawyers Title Insurance Corporation hosted a cocktail party at the Metairie Country Club, which was followed by the Louisiana group's annual banquet, also at the Metairie.

Shown in photo below are Wm. W. Baltar, III; Tyler H. Bland, vice president, Rapides Bank & Trust Company in Alexandria, outgoing president of the Louisiana MBA, with Mrs. Bland; Mrs. Walter C. Nelson; Mrs. Baltar; and MBA President Walter C. Nelson.

Edward Asmus Named Head of Chicago MBA

Edward Asmus, vice president of Pullman Trust & Savings Bank, was elected president of the Chicago MBA at its annual meeting.

Theodore H. Buenger, vice president of Dovenmuehle, Inc., was named vice president and Newton S. Noble, Jr., president of the Lake Michigan Mortgage Co., secretary-treasurer.

Named directors were John W. Baird, Baird & Warner, Inc.; William E. Findeisen, the Pacific Mutual Life Insurance Co.; Donald J. Griffin, Chicago Title & Trust Co.; Morris Levinkind, Kahn-Levinkind, Inc.; J. Raymond Mitchell, the First National Bank of Chicago; Ira C. Prouty, Continental Assurance Co.; Erwin A. Salk, Salk, Ward & Salk, Inc.; and Edmund P. Drumm, Mutual National Bank of Chicago.

MBA President Walter C. Nelson addressed the meeting and said mortgage lending and the home building industry face an active and busy year in 1959 but the most constructive action the new congress could take to further spur new construction would be to free the FHA and VA mortgage interest rates from their below-money-market levels.

Actually, Nelson said, Congress need not necessarily do anything about the FHA rate.

"They have authorized a maximum rate of 6 per cent, and that is sufficient to provide FHA money at par. However, the FHA and the Administration must learn to use the allowable rate properly and promptly and not always to come up with 'too little and too late.'

"It is absolute folly to say that the present 5¼ per cent interest rate on FHA loans is adequate," President Nelson told the mortgage bankers. "Nothing could be further from the truth.

"We cannot escape the fact that mortgage money must compete in the market with all of the users of capital. To keep a large segment of the home-buyers out of the FHA market by a fixed, unrealistic rate is wrong, and it should be condemned at every opportunity."

MORTGAGES ENTER MARKET PLACE

(Continued from page 17)

postwar business cycles suggests that savings will flow relatively evenly into the pool of credit available for residential construction. Thus, the future size of the pool of credit available for residential mortgages is largely a function of the growth of the gross national product.

Residential Construction Is Estimated at $235 Billion

If this growth (in 1958 dollars) comes up to expectations, it should reach a figure of about $575-billion by 1965 and $675-billion by 1970. If the ratio of personal savings to disposable personal income averages around 7 per cent, the total "pool" of credit available for mortgage lending, by the definition established earlier, should be about $352-billion in 1965 and $457-billion by 1970. This would indicate an increase of $193-billion for the 1960-70 period.

Total new residential construction for the same period is estimated at roughly $235-billion. Of course, not all of the new construction must be financed by additions to the pool, for payoffs on existing mortgages will provide for new loans. During the years 1948-1957, growth in the amount of residential mortgage debt was only 60 per cent of the value of new construction in the same years. This period witnessed much of the extension of amortization periods and the reduction of down-payments previously referred to, and it is unlikely that the ratio of mortgage debt to the value of new construction will rise further. Using this percentage as a rough estimate of the demand for added mortgage funds, we obtain a figure of $141-billion of additional funds needed for the years 1960-1970.

Thus, while the expected increase in the size of the pool of savings available for residential mortgages will more than match the increased demand, the margin appears uncomfortably thin. If the full volume of mortgage funds implied by the estimate for new construction is to be met, mortgages must claim about 73 per cent of the increase in the pool of funds available for this purpose. The result will be an unprecedentedly high share of the total pool of funds invested in mortgages.

Let's turn to the factors which influence the allocation of savings between mortgages and other alternative uses for funds, such as the securities of corporations and governmental agencies. As has already been pointed out, the share of the pool which is invested in mortgages, and to some extent the size of the pool as well, has been influenced by the availability and attractiveness of other outlets for investment funds. The relative liquidity of assets is another consideration, although this is more important for commercial banks than for some other investors. The degree of risk also plays an important role, since every credit institution maintains some sort of criterion with respect to the maximum acceptable ratio of its assets to its capital funds. Finally, tradition or legal ratios in the composition of assets also affect the investment policies of institutions, especially when such proportions are prescribed by law.

However, it is the first of these influences that has caused an unevenness in the flow of mortgage funds and an instability in the massive building in-

dustry to which mortgage money is its very lifeblood. This has been aided materially by sticky or artificially low interest rates on certain kinds of mortgages. At times when monetary policy is seeking to restrict credit generally, or in periods of heavy demand for credit, these low rates cause funds to be diverted to alternative uses. We have noted a drying-up of funds for fixed-interest FHA and VA mortgages on each occasion in the postwar period when business and industrial financing demands have increased markedly and corporate bond yields have risen sharply. Conversely, we have seen the reverse whenever nonresidential demands have fallen. The persistence into the second decade of the postwar housing market of such a situation of alternatively expanding and contracting nonmortgage demands for credit, if accompanied by inflexible interest rates on mortgages, might cause financing problems throughout much of the period, particularly in view of the anticipated heavy demand for mortgage credit.

We have to keep before us always the objective of a free interest rate. Sooner or later, the rule of the market must be recognized in respect to interest rates on insured and guaranteed mortgages as it is in respect to rates on government obligations and all other types of securities. As Walter C. Nelson, president of the Mortgage Bankers Association of America, recently stated, "Home financing should not have to serve as the balance wheel of the economy. Neither should it be given special shelter from the forces at work in the financial markets." No place in the entire field of credit is there any attempt to control the price of money as is done in the FHA and VA mortgage loans. Even public housing bonds, which are backed by a subsidy as well as a full guaranty of principal and interest, are subject to the verdict of the market so far as their interest rates and prices are concerned. Why it is that this fixed-rate nightmare is found only on mortgages?

When the availability of private funds for investment in home mortgages is at a low ebb, and when lending terms become more severe, proposals are invariably made for the Federal Government to step in and to provide the financing which private credit institutions are allegedly unable to supply in adequate amounts and on appropriate terms. The most popular formula for solving this is to propose that the mortgages be bought by FNMA under its special assistance programs or by direct loan programs by governmental agencies. I know that I need not tell you that this formula does not get at the root of the problem.

The absurdity of the situation regarding the financing of private housing must not be allowed to continue. First, all of us must really believe in a free market. But that is not enough. Unless we take every opportunity to speak and write and testify on the advantages of the free market, and to encourage those in office who profess allegiance to these principles, we will find that our awareness of the problems is of no avail, and that we are too late.

Mortgages are of age now; and only when lenders and borrowers are free to compete in the mortgage market, as are participants in other sectors of the capital market, will the volatility of mortgage flows and swings in housing activity be reduced. Congress must be educated to the fact that it cannot legislate interest rates in one important sector of an otherwise free capital market without important upsetting consequences to consumers, builders, and lenders alike, and to the overall national economy. Price may sometimes appear to be a hard master, but in the long run there are fewer problems and difficulties with it than with the substitutes government may advise.

As bankers, you are entrusted with the investment of a significant portion of the savings of the American people. Yes, savings and mortgages go together. Yet, unlike the chicken and the egg, there is no question as to which comes first. It's the savings account, because it's no secret that we cannot lend money until we have our hands on it. A good many banks are looking the situation squarely in the face, realizing that if they are to take care of their full share of mortgage business, they must woo and pursue the savings dollar.

CHICAGO CONFERENCE

(Continued from page 26)

ticipants will be: Mrs. Mary Cleverley, special assistant for elderly housing; C. Franklin Daniels, special assistant for urban renewal; W. Beverley Mason, Jr., assistant commissioner for technical standards; Harold W. Prehn, assistant commissioner for mortgages and properties.

On Thursday, also, there will be a special 8:00 a.m. breakfast program sponsored by the Young Men's Activities Committee of MBA. Featured speaker will be Leslie O. Copeland, executive vice president of the North American Life Insurance Company of Chicago, who will discuss the problem of making mortgages competitive with other investments. There will also be, at noon, the traditional Farm Loan Luncheon Meeting. Tickets for the breakfast are $3.00, and for the luncheon they are $4.00. All Conference participants are invited to attend these additional and rather special functions.

MEMBERSHIP ACTIVITY

(Continued from page 28)

eligible only for a Limited membership. To qualify, the applicant must be serving as a broker between originating mortgage loan correspondents and institutional investors, and he must be operating within various states of the United States.

It is important that *all* MBA members—not just those who serve on these special committees—be familiar with the membership requirements; for all members are, in effect, "roving ambassadors" and should be alert to the opportunities for introducing potentially qualified applicants to membership in their Association.

Full details pertaining to the classifications of MBA membership, the requirements of each, and the full dues schedule according to classification may be found in your 1959 MBA Manual which, by now, will have been received by all members.

" " Quotes from the Quoted " "

Objective of the Hour

"I shall ask Congress to amend the Employment Act of 1946 to make it clear that Government intends to use all appropriate means to protect the buying power of the dollar."

—President Eisenhower

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A Much-Stated Fact Restated

"General credit controls, as administered by the Federal Reserve authorities, will never function smoothly and impersonally in the residential mortgage field until the interest rate on government-insured and guaranteed mortgages is permitted to move freely and flexibly in response to capital market forces."

—James J. O'Leary, director of economic research, Life Insurance Association of America

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A Builder Gives His Opinion

". . . we need a more business-like approach all along the line. But when it comes to a program to assist home builders, like the Fannie Mae special assistance deal, I'd have to answer three ways: First, renewal is the only thing that will give us as good a building year this year as we had in '58. Second, however, I don't think renewal of the special program is the proper thing to do from the standpoint of the economy. Lastly—and this is purely and simply a selfish attitude—with all the rest of this giveaway stuff we might as well get ours."

—Stanley Davis ,San Leandro, Calif., *builder of low-cost houses to the Senate Housing Subcommittee.*

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Says Congress Out of Control

"Congress seems to have lost effective annual control of federal spending. Until Congress moves effectively to give us a real revision of the federal tax structure, the nation is faced with the dismal choice between inflationary deficit financing and increases in an already too-onerous tax burden, levied under an outmoded aggregate of taxes which can hardly be called a 'tax system'."

—Roswell Magill, chairman, Tax Foundation, Inc.

It All Depends

"I think housing in early 1959 will continue at its present level, but could have a leveling off or a slowdown later in the year."

—Walter E. Hoadley, treasurer, Armstrong Cork Co. and housing economist

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The Wave of the Future

"There is no longer any question that the federal government can and must play a vital role in the field of mortgage finance if private enterprise is to attain its maximum potential in meeting the housing needs and aspirations of all of our people."

—Robert E. Scott, president, r. e. Scott Mortgage Co., to Senate Housing Subcommittee

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Point of No Agreement

"It is significant that the various segments of private industry occupy differing and, in some instances, contrary positions in this field of federal (housing) legislation. Indeed, some of the current proposals which we believe are unnecessary and potentially harmful have been vigorously advocated by private industry groups. The fact that these same groups subscribe outwardly to the principles of free enterprise does not diminish the supporting role they are playing in the trend toward ever greater power in the Federal Government."

—Ben C. Corlett, Senior Vice President of ABA in Charge of Washington Office

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Credo of the Builder

"The home building industry is getting mighty weary of having those responsible for our national monetary policy turn to home building for assistance in periods of economic stringency and then, when times are good, clamp down on the industry through the device of tightening money. There can be no justification for using housing as a counter-cyclical measure. The main trouble, however, with using home building as a vehicle for pulling us out of the doldrums is that it works! So, maybe we are stuck with it! . . .

"The home building industry must have a sustained, uninterrupted, adequate volume of capital at the lowest rates at which such funds will flow in sufficient volume to permit housing production to move steadily and smoothly ahead in the years to come."

—George N. Seltzer, Cleveland builder before ABA Savings and Mortgage Conference

Harry Held has been elected senior vice-president of The Bowery Savings Bank in New York City. Mr. Held is in charge of the mortgage investment department and responsible for a portfolio of more than one billion dollars. Mr. Held is chairman of the committee on mortgage investments, National Association of Mutual Savings Banks. He is a member of the executive committee, a regional vice-president and chairman of the Research and Educational Trust Fund of the Mortgage Bankers Association of America.

Harry Held

Mr. Held is also a member of the committee on real estate mortgages, American Bankers Association; Housing and Home Finance Agency advisory committee on housing for the elderly; national defense executive reserve; industry advisory committees of FHA; committee on mortgages and real estate, Savings Banks Association of the State of New York and national panel of arbitrators of the American Arbitration Association. He serves, too, on the faculty of the Graduate School of Banking, Rutgers University and the School of Mortgage Banking, Northwestern University.

The board of directors of the Miller Mortgage Company, Inc., New Orleans, has announced the election of **Louis P. Wolfort** as president. **Joseph M. Miller** has been elected chairman of the board.

The promotion of **Chester Rogers** from assistant vice president to vice president of the Security Bank, Lincoln Park, Michigan, has been announced by **Clarence R. Mead,** president.

George H. Schmidt, president, The Title Guarantee Company, Baltimore, has announced the promotion of **James W. Leyko** to the position of vice president and secretary. Other promotions include that of **William O. Hayes, Jr.,** to assistant vice president; **Philip B. Smith** to assistant vice president; and **Edward L. Bowen** to treasurer.

Chartered in 1884, The Title Guarantee Company is the third oldest title insurance company in the country. With its recent expansion of operations in Ohio, the firm is now operating in 16 states, the District of Columbia and Puerto Rico.

Earl B. Hinson has been elected trust officer of the Rapides Bank & Trust Company in Alexandria, Louisiana, it has been announced by **Robert H. Bolton,** president. Mr. Hinson has had more than 12 years' experience with the trust department of the National Bank of Commerce, Houston, Texas, and comes to the Rapides Bank from the position of assistant to trust officer in that bank.

James W. Erdevig has been appointed assistant manager of mortgage services of the Northwestern Mutual Life Insurance Co., in Milwaukee, Wisc. He joined the firm in February, 1951, as a loan representative with its Chicago mortgage loan regional office. In January, 1954, he came to the Milwaukee home office as a specialist in the residence mortgage division of the mortgage loan department.

Robert A. Taggart, president of the Hannan Real Estate Exchange, Inc., in Detroit, has been elected 1959 president of the Detroit Real Estate Board. A former president of the Detroit MBA, Mr. Taggart is a newly elected member of the national MBA's board of governors.

Donald H. Wilson, Jr., has been elected a vice president of the Monumental Life Insurance Company, Baltimore, according to **F. H. Loweree,** president. Mr. Wilson has been an assistant vice president of the company since July, 1950. He started with Monumental in 1947 in its investment and statistical department.

Selmer L. Jerpbak, president of the Richfield State Bank, Richfield, Minnesota, has announced the promotion of **Charles B. Wood** from assistant cashier to assistant vice president. Mr. Wood is chief appraiser for the bank and has earned the distinction of being its top mortgage man. A senior member of the Society of Residential Appraisers, he is an associate member of the Minneapolis Board of Realtors and a member of the Minneapolis chapter of the American Institute of Banking.

Edward Rose (above, left), chairman of the board of Advance Mortgage Corporation, presents **Sidney Kaye,** executive vice president, with a gold wrist watch on the occasion of his 10th anniversary with the firm. Main offices of the corporation are located in Detroit, Michigan, with branch offices in five other Midwestern cities.

Kaye came to Advance Mortgage after several years of private law practice, following his graduation from the Detroit College of Law. He has served as chairman of the FHA Committee of the Detroit MBA, and is a member of the Editorial Committee of the national MBA.

The election of **Lester A. Craig** to vice president, real estate department, of the First National Bank in St. Louis, has been announced by the bank's chairman of the board, **William A. McDonnell.** Mr. Craig, a native of St. Louis, joined First National's staff in 1922. He was promoted to assistant cashier in 1950 and to assistant vice president in 1952. He attended the Mortgage Banking Seminars at Northwestern University and, in addition, has completed a number of courses offered by the American Institute of Banking.

Lester A. Craig

Henry L. Kent has been named collection manager of Percy Wilson Mortgage & Finance Corporation, Chicago, **Robert H. Wilson,** president, has announced. Mr. Kent has been associated with the credit field in an executive capacity for 14 years.

Walker & Dunlop, Inc., Washington, D. C., early in January celebrated the twenty-fifth anniversary of its founding. The mortgage banking and real estate firm was organized when **Oliver M. Walker** joined **W. Laird Dunlop III** in partnership, in 1934. Previous to the partnership, Walker had been a mortgage loan broker. Dunlop left a position with the Reconstruction Finance Corporation to join Walker. Today, in addition to serving as mortgage correspondent for various life insurance companies and savings and commercial banks, the firm is active in development of area shopping centers, in residential and commercial real estate sales and financing, and in property management and insurance.

Among the principal speakers appearing at the First Annual Real Estate Appraisal Conference, to be held in Macon, Georgia, on February 20, will be **John S. Schneider,** M.A.I., vice president, W. B. Leedy & Co., Atlanta. His topic will be "Appraising for Mortgage Loan Purposes."

The conference is the first of an annual state-wide series developed and sponsored by the College of Business Administration of the University of Georgia in cooperation with the Georgia Association of Real Estate Boards, the Georgia chapter of the American Institute of Real Estate Appraisers and the Atlanta chapter of the Society of Residential Appraisers.

Stanley M. Stalford, chairman of the board of Fidelity Bank, Los Angeles, announced the appointments of **Earl B. Dolson** as vice president in charge of the mortgage servicing department, and **Joseph E. Valk** as assistant secretary. Dolson, formerly assistant vice president of Fidelity Bank, and Valk have been with this banking institution since 1956.

The Marble Company, Pasadena, announced the election of **Guy B. Mize** as president. Elected chairman of the board was **Thomas E. Gibbon,** former president.

Paul H. Howe was named vice

PERSONNEL
AND BUSINESS NEEDS

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Fully qualified executive officer to be second man in $20,000,000 Federal Savings & Loan Association in the Tampa Bay Area. Prefer individual under 40 to be groomed for top position. Please include photograph with full information. Write Box 535.

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Direct servicing connection by leading midwestern manufacturer of precut homes. Financially established company with fast growing mortgage company. Volume producer. Write Box 537.

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Prominent housing and finance executive with corporate management, building, development experience and investor contacts, available for key position in aggressive mortgage loan directorate ambitious to expand through acquisitions and public financing. Company worth $400,000 available for merger. Send details on earnings, volume and operations in confidence to Box 540.

president and treasurer, **Harcourt Hervey, Jr.**, vice president and secretary and **Edward L. Harkness,** vice president. All have been officials of the company and are active in its management.

The Marble Company, established in 1900, is correspondent for four life insurance companies, two eastern banks and a number of pension trusts. The pioneer firm moved its headquarters to a new building in Pasadena last year, and also operates branches in Beverly Hils and Santa Ana.

Robert M. Morgan, vice president and treasurer, Boston Five Cent Savings Bank, was honored as "The Man of the Year" by the Parker Hill Commission. The banker was feted for his leadership in interesting private capital and the Urban Renewal Authority in a proposed $8 million apartment building to be erected in a sub-standard section of Roxbury.

William H. Deatly, President of Title Guarantee and Trust Company, New York, announced the promotion of **Samuel J. Some** to assistant chief counsel. Mr. Some started with the Company as a title examiner in 1925 and rose to the position of Counsel at head office. Elected Vice Presidents were **Hugh FitzSimons,** head of the Closing Department and **John N. Lewis** and **Purcell B. Robertson,** both in the Sales and Service Division.

At the annual meeting of the board of managers of the Farmers Mutual Fire Insurance Company of Delaware, Wilmington, **Milton T. MacDonald,** president of T. B. O'Toole, was elected to the board and **Richard D. Groo** was named an assistant secretary.

MacDonald, who has headed the local real estate and mortgage firm since 1952, is an alumnus of Harvard University and the graduate school of banking at Rutgers University. He is a director and member of the executive committee of The Trust Company of New Jersey, a trustee of The Teachers Insurance and Annuity Association, and a past president of MBA.

Byron Christopher Shutz, associate partner of Herbert V. Jones & Company, Kansas City, and assistant manager of its mortgage department, was named a director of the Traders National Bank of Kansas City. He was also elected chairman of the mortgage division of the Real Estate Board of Kansas City for 1959. He is a former chairman of MBA's YMAC Committee.

Stanley M. Stalford, chairman of the board of Institutional Mortgage Company, announced the appointment of **James DeNicholas** as an executive vice president. Mr. DeNicholas will headquarter in the executive offices in Beverly Hills, California and he will be in charge of business development. He has a background of eight years experience in management in the mortgage business.

Ralph W. Stiles has joined Jersey Mortgage Company in Hackensack as assistant vice president. He was formerly vice president of the Mortgage Corp. of New Jersey and has been active in the mortgage lending field.

Mr. Stiles will take over the duties of J. Harry Mather, assistant treasurer, who is retiring after serving 27 years with the company.

The Minnesota Mutual Life Insurance Company announced the promotion of **Emmett Harris** to financial secretary from assistant treasurer (Securities) and **Edwin A. Johnson,** M.A.I., to treasurer from assistant treasurer (Mortgages).

Charles Murphy, vice president in charge of the Bethesda Branch of Arlington Realty Company, Arlington, Virginia, has been named manager of the main office mortgage department and will be succeeded in his present position by **D. Page Cornwell. William F. Bergmann,** executive vice president, has overall supervision of the firm's offices.

Merger of Paramount Fire Insurance Company into Pacific National Fire Insurance Company is proposed and stockholders of the former company will vote on the proposition February 9, John A. Steel, president of Pacific National Insurance Group, announced. Under the plan the Paramount name would be retained in the Paramount Underwriters Department of Pacific National Fire.

Assets of Pacific National are more than $59 million and Paramount assets are more than $12 million. Paramount was organized in 1939 by the late Owen M. Murray, former MBA president.

Hunter Moss & Company has announced the opening of a new office in Miami, Florida, for the handling of construction financing.

U. S. Chamber Tours Country With Aircade

Within the next few weeks businessmen in 12 important cities, strategically located over the country, will have an opportunity to make their legislative opinions known when the Chamber of Commerce of the United States holds its unique Aircade tour.

The program is "a call to action" for businessmen to get together to consider legislation the Congress itself will consider this year. Local Chambers in the 12 cities will cooperate in the meetings. The schedule is Philadelphia, February 9; Rochester, February 10; Toledo, February 11; Atlanta, February 13; Houston, February 16; Colorado Springs, February 17; Santa Monica, February 19; San Francisco, February 20; Tacoma, February 24; Butte, February 25; Chicago, February 26 and St. Louis, February 27.

The meetings will be one-day affairs and William A. McDonnell, Chamber President, who spoke at the last MBA Convention, and Arch N. Booth, executive vice president, will speak. Inflation, spending, tax reform, social security, housing, controls on business and agriculture, etc., will be discussed. MBA members in these cities will find it a profitable investment of time to attend these sessions.

Boom in Church Loans With Insurance Funds

The churches of the United States, now engaged in the greatest construction boom in history to accommodate record-breaking congregations, have received about $410,000,000 in financing from the country's life companies to help carry out this building program.

A special survey made by the Institute of Life Insurance to determine the extent of life insurance investment in church edifices and other church properties disclosed that $95,000,000 was out on loan December 1, 1958, to build churches proper, much of this construction having already been completed. Of this amount, $85,000,000 had been advanced under mortgages covering 1,240 properties and $10,000,000 was in the form of bonds covering 1,160 properties.

Church-related educational institutions accounted for $100,000,000 of life insurance financing—$70,000,000 in the form of mortgages on 220 properties and $30,000,000 in bonds on 580 properties.

An even larger figure, $150,000,000, was revealed in the survey to represent life insurance company investments in church-affiliated hospitals, composed of $120,000,000 in mortgages given on 170 such institutions and $30,000,000 in bonds on 90 such units. Hospitals were the largest single type of church property benefiting from life insurance financing.

Other kinds of church properties, like houses for the clergy and other religious, as well as church-connected recreation buildings, accounted for an additional $65,000,000, including $45,000,000 in mortgages on 100 units and $20,000,000 in bonds on 70 properties.

The aggregate number of church loans covered by these life insurance investments was 3,630. This may be somewhat larger than the number of properties because of possible overlapping of loans among the companies. Of these, there were 1,730 representing mortgage investments and 1,900 in which the financing was in the form of bonds of various maturities, usually six months to fifteen years.

The survey showed that the life companies estimated at less than $100,000,000 the total amount of their investments in churches and church-related properties ten years ago. Therefore, there has been in one decade a quadrupling and perhaps even greater increase in such financing while the nation's population rose by about 20 per cent.

The missions board of one major church denomination recently negotiated with a life insurance company a $5,000,000 loan to finance local church building in new and growing communities. It will be a sort of revolving fund.

How Life Firm Money Distributed Over U.S.

The greatest rate of gain in the regional investment of life insurance funds in the past decade has been shown in the West and Southwest, reflecting both the greater relative gain of life insurance ownership in those regions and the larger relative demand for capital as business, industry and population showed peak gains in the fifteen Mountain, Pacific and West South Central States.

This is shown in an analysis of the investment distribution of life companies representing 85 per cent of the total assets of the business.

Total investments in the United States of these life companies were $76,759,000,000 at the start of last year, up $34,467,000,000 or 81 per cent in ten years. In the Mountain States, however, the January 1, 1958 investment of life insurance funds was $3,319,000,000, up $2,085,000,000 or 169 per cent in the decade. The Pacific States, with a total investment of $9,958,000,000, showed a $6,210,000,000 gain, up 166 per cent, and the West South Central States, with a $9,194,000,000 investment, showed a gain of $5,405,000,000 or 143 per cent The largest aggregate investment was in the five East North Central States with $15,872,000,000, and the ten-year rise in those states was $6,919,000,000 or 77 per cent.

Mortgages accounted for the greater part of the gains in the decade, the total mortgage investment of these companies being $28,560,000,000 at the start of last year, up $21,461,000,000 or 302 per cent in the ten years. In the Mountain States, the rise was $1,225,000,000 or 980 per cent.

Larger Families Mean Larger Houses, Loans

An insight into the extent that the spectacular population rise of recent years has been spurred by growth in family size is shown by bureau of the census data covering the changing composition of American families over the past decade.

Analysis of these figures reveals that families with two or more children under 18 living at home made up more than four out of every five of the total increase in the number of families between the Spring of 1948 and March of last year. Families with three or more children showed a greater growth in both number and proportion during this period than all the other families put together. As a result of this trend, the larger family now represents an appreciably greater percentage of the nation's family structure than was the case a decade ago.

This development, with its inevitable increase in financial responsibility, has had a significant impact on the economy in the market for all kinds of products. The big upturn in the demand for larger homes in recent years is a particular case in point.

The larger family has likewise emphasized the need for more saving and more protection for the breadwinner to meet the increased family responsibilities. This is particularly evident in the big growth of life insurance ownership in recent years. Life insurance protection in force now exceeds $490 billions, nearly two and one-half times the total outstanding a decade ago.

Total number of families increased from 37.3 million in 1948 to 43.7 million in March, a rise of 6.4 million or 17 per cent. Here is how this increase breaks down by family size based on the number of children under 18 living at home:

» The number of families with no children under 18 rose from 18 million in 1948 to 19.2 million in March, an increase of 1.2 million or 7 per cent. The growth of the older population is discernible here.

» Families with one child at home in this age range showed only a nominal change, amounting to just under 8.1 million in 1948 and just over that figure last March.

New Look for Public Housing Wins Favor

A revolution in public housing design is now well underway—and it is a revolution public housing's friendly critics have been urging.

Local authorities are now de-emphasizing big, institutional projects. They are concentrating on 1) building small groups of housing units on scattered sites, and 2) rehabilitating used housing.

This fiscal year, says House & Home, nearly half of the 35,000 new public housing units authorized by Congress are being planned on these two new bases. Plans by local authorities call for 13,762 units of public housing on 357 scattered sites in 88 areas. Another 2,217 units in 11 cities will be rehabilitated units.

The new trend comes in answer to complaints that big skyscraper public housing projects have acquired an institutional look and social stigma that is driving the best low-income families out. Moreover, in some cities, big project buildings have been criticized as deteriorating into the very kind of slums they were supposed to replace. Complicating efforts to build more public housing has been increasing difficulty in winning local community approval of proposed sites—often because residents of neighborhoods involved do not want a big influx of low-income families dumped into their midst.

The experimental first scattered site public housing project—20 units of one-family homes and duplexes on seven sites—went up in Cedartown, Georgia. The idea is spreading fastest in that region, House & Home notes. In the area served by the Public Housing Administration's Atlanta office, 33 localities are now building or planning 985 units of scattered site projects.

In the Southwest, which will also get a big share of this year's scattered-site subsidized housing, projects tend to be small. Only six involve more than 100 units. But the largest, in Denver, involves 1,500 units.

Chicago is planning more units of this type than any other U.S. city—1,850 units on 19 sites. They include high-rise, four-story, row-on-row and two-story row dwellings. Cleveland will build 1,795 on five spots.

But New York City, which builds more public housing than any other city, plans none on scattered sites, according to PHA classification.

Use of scattered sites should expand "steadily," predicts the magazine. For one thing, it lets "public housing disguise itself in the form of private housing" which may remove the social stigma of subsidized projects. "Moreover, scattered sites use vacant land, which dodges the high and rising cost of slum sites—a problem which is making it hard for public housers in some cities to keep under Public Housing Commissioner Charles Slusser's $17,000-a-unit cost ceiling."

Supporters of public housing contend scattered site development will make it easier to sell public units to over-income occupants, if Congress passes a law to let them do it.

Homebuilders and realtors, always opposed to public housing, are even more vehemently against scattered site development.

NAREB says in its 1958 policy statement: "We view the proposals . . . for individual scattered public housing units . . . as a great threat to the concept of private home ownership and to the preservation of our free institutions."

They have mortgage bankers in Russia, but not quite like the ones we have here. In fact, about the only money you can borrow in Russia is funds for building a home. A Soviet borrower turns to a state commercial bank where construction loans are limited to $1750 — $2500 range and must be for materials only. Labor costs come out of the citizens' pockets.

Savings banks pay 2 per cent on accounts with unlimited withdrawal privileges and 3 per cent on deposits left for six months. There is a third type of account in these state banks with accumulated interest put into one fund and a lottery held every six months. Twenty customers out of every thousand win from 5 to 100 per cent interest — with the rest getting nothing. Soviet officials say there are about 40 million savers in the USSR, with accounts totaling 85 billion rubles (21¼ billion dollars).

These impressions were reported by Ernest Fuller, real estate editor of The Chicago Tribune after interviewing William H. Ball, Chicago savings and loan executive who visited the Soviet Union.

Stop Me If You've Heard—

A fellow who knew his demise to be imminent made a last request of his wife. "Honey," he said, "I know where I'm going. Dress me for the climate when you lay me out. Make it as comfortable as you can for me."

Accordingly, when he had passed on a couple of days later his widow had him laid out in Bermuda shorts, the latest thing in featherweight socks and openwork shoes, and a sportshirt weighing next to zero. Arriving down below, the departed husband was amazed to find that instead of suffering from the heat he was not only not warm, but actually chilled to the bone.

Looking up the boss of Hades he opened up with "Look here, Satan, you're supposed to have a real hot spot down here. A joint that makes molten steel look like ice cream. What's the idea of this quick switch?"

"It's like this," replied Satan. "A couple of months ago one of those blank blank Texas billionaires arrived down here. He didn't like it, so he had the whole place air conditioned."

—Dealers Digest

The lady was stepping from the shower and was about to reach for a towel when she caught sight of a window washer looking through the window at her. She was too stunned to move, just staring at the man.

"Whatcha lookin' at, lady," he finally asked. "Aincha never seen a window washer before?"

—Commerce

A lady went to a married girl friend of her's with the story that the married one's hubby was chasing after babes. At this, the gal didn't even turn a hair and the friend repeated the remark, asking why the married lady was not more concerned.

"Oh, that," says the gal. "We have a dog at home, too. His hobby is chasing cars. If he ever catches one, I doubt if he'd know what to do with it."

One morning in an office building a crowded elevator was just about to ascend when a happy drunk shouldered his way into it. As the car rose, he turned about so that he faced the fellow riders. "I suppose you are wondering," he pronounced with dignity, "why I called this meeting."

A couple of storekeepers were discussing how to get along, and methods by which one could boost sales. "I've tried them all," one of them recounted. "Fire Sales, Damage Sales, Forced to Vacate Sales—all the rest, but the sign that really cleans up for you is the good old Going Out of Business."

"You won't have to worry, Sam," assured his friend. "With the dough you've made you can take things easy from now on."

"I got one worry, though," Sam explained. "Now my boy's grown up he keeps asking me what should he do for a living. To come in with me he don't want."

"No reason why he should," agreed his friend. "You can show him all the ropes. Why don't you just set him up in a nice little store—and let him start going out of business for himself?"

A social-minded fellow is drafted and sent to camp, where being of an inquisitive turn of mind he spends the first evening wandering around sort of looking things over. Next thing you know, he's picked up for getting into the Off Limits area around the WACs' quarters.

"We'll go easy on you this time," says the officer who heard the charge. "You're new, and this time we'll just fine you five dollars. Another time and it'll be ten — the next time, twenty-five."

"Here's your five bucks," says the new G. I. "But tell me something—what does it cost for a season ticket?"

—Kablegram

A fellow came home one night and his wife asked him, "You remember those ducks you went out shooting last Saturday?"

"Yeah, I remember."

"Well, one of them called up today and left her phone number."

Single gals wonder if there's a man in their future. Married gals wonder if there's a future in their man.

Someone said it but not us: Some of the biggest guns in the mortgage business are those who have never been fired.

Nonchalance is the ability to look like an owl when you have behaved like an ass.

These are the good old days you're going to miss in 1978.

"A call for 'Snookums' . . . on four!"